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Cartel threatens shippers with financial penalties

by Warren Berryman

THREATS of financial penalties against importers have been issued by the shipping certel serving the New Zealand-Japan trade.

Some importers hava been cutting transport costs from Japan by shipping with non-conference Jebsen Lines.

The Australian and New Zealand Eastern Shipping Conference, a cartel consisting of overseas shipping companies and the Shipping Corporstion of New Zealand, sent a letter through the Japanese trading houses to importers who used Jebsen'e ship, the Sprsyness.

The letter threatened them with increased freight retes on conference ships if they used Jebsens again.

The Japanese treding houses *have a loyalty* agreement with the cartel.

But New Zealand importers, though they pay the freight bill, have not even seen this agreement much less signed it.

When Jebsens entered the trede, some importars bought on an FOB basis and nominated Jebsens as their carrier.

In effect the New Zealand importer became the shipper.

Previouaiy the Japanese trading house had been the shipper.

The certel is now threatening the New Zealand importer with higher freight rates on conference ships if they break a loyalty agreement they have not even signed.

The cartel's letter threatened that if a New Zealander was caught using Jebsens the cortel would then charge that company non-contract rates (10 per cent higher than usual rates) every time the New Zealand company used conference ships in future.

This letter was sent to Japanese trading houses with instructions to pasa it on to those New Zealand importers caught ueing Jebsens.

Jebsen's service offers several advantagea over the cartel's in addition to lower freight rates.

Jebsen's ships serve minor porta, such es Mount Maunganui. Conference shipa do not.

This can mean savings for importers and exporters in internal freight bills.

Jebsen's ships arc multipurpose cerriers able to carry both containerised end non-contalneriaed cargo.

Because the carry their own cranes, they can berth at conventionei docks and avoid the high costs and delays associated with container berths.

Importers using the first Jebsen ship said thoy anticipeted aubstential savings through buying from Japan on an FOB basis and shipping non-confcrence.

One importer estimated his savinga at ebout $200,000 a year.

Some support for Jebsens is likely to come from the Japanese trading houses themselves.

Jepan is struggling to compete with Korea and Taiwan. And the high freight rates charged by the cartel don't help their competitive position.

Meanwhile pressure is mounting against the shipping cartel grip on the New Zealand trades.

The Manufacturers Federation, Chembers of Commerce, and Bureau of Importers and Exporters are banding together to see what can ba done about the high freight ratae charged for generel cargo by the cartels and to challenge the etrong position of the producer boards in establishing freight rates for manufacturing importcre and exporters.

This country's exporters are iosing the battle in world trede to their Austrolian competitors.

The certels increased Australian freight rates to Britain and Europe by only 2 per cent while they increased retes for New Zealand manufacturing exportera by 8 per cent basic which when currency adjustment factors and bunkcrage are included comes to an increase of 17 per cent to Europe and 21 per cent to the United Kingdom.

ABC Containerline, which is being driven from the New Zealand trade by the Meat and Wool Boarde, estimate they are aeving Australia $150 million a year by cutting freight retes by as much es 40 per cent.

Inside:

FAST law is on the move egain. Cotin Jaroes looks et the Notionol Development Bill which will be rammed through the whole perliamentary procesa in only o few weeks — Poge 2.

WHEN you are the biggest, it is *difficult to out-perform* the Industry average as the New Zealond Co-operative Dairy Company's 4500 disgruntled auppliers ere discovering — John Draper — Page 17.

AS officials on both sides of the Tasman prepare briefs for their Governments on closer trede ties, evidence has come of a more receptive attitude to change among manufacturers. Colin James — Pages 20, 21 and 22.

THE roots of conflict for control of the Allied Press newspaper group go back much further than the current takeover moves — Peges 30 and 31.

GOVERNMENT - appointed Export Year adviser plays down the failure to gain a commitment from the trede *union movement* to give priority to exports. Why — Page 36.

Iran offers farmers a tonic

by John Draper

ALLAH be praised!

A $100 million a year contract for lamb finally agreed to by Ayatollah Khomeini'e Islamic Republic is the tonic the New Zealand meat industry needed.

But the real significance of the 200,000 tonne four-year deal signed by the Meat Producers Board in Iran last week is the impact on the sluggish British market.

The Smithfield price has been depressing reading for the trade and farmers all year.

Despite large stocks and low prices, New Zealand iamb bas not beeo selling, defying the sormal rules of supply and demand.

The four-year Iranian contract is certain to be a psychological boost sending prices up as butchers realise *frozen* lemb might be in comparatively short supply.

And in December that is a real prospect.

Iran wents the first delivery of this season's 45,000 tonne order in December.

That demand on top of a later-than-usual start to the season will mean less lamb for Britain before Christmas.

Eager shippers are already vying for the trade which will keep one vessel busy for a few months each year.

The Iranian contract has been e tantalising prospect for most of the year.

Two Iranian delegations inspected meatworks before finally being satisfied that lamb would be killed in an approved manner, and a New Zealand delegation weot to Tehran three times before agreement was reached.

Up to 30 Muslim slaughtermen will be needed to perform the Islamic rites on the 18 chains willing to kill for the contract.

At least six slaughtermen will come from Iran, to be ampioyed by tha Meat Producers Board, as a condition of the four-year contract.

So far the Meatworkera Union has indicated that it has no objections to the Muslims being employed, so long as they are union members.

Iran will also appoint a religious representative, expected to be Hojital Mahdavi, to see that contract conditions are fulfilled.

In finally securing the contract, the Meat Board had to concede an annual price, a condition the meat exporters in tha delegation reluctantly accepted.

But in return the board got a price "substantially above" the British level.

Agreement has also been reached on unloeding arrangements at the port of Khorramshahr in the Persian Gulf.

Industrial disputes and a slow unloading rata in the past bava forced shippers to pay high demurrage rates.

But the sun is not shining in a complately cloudless sky for sheep farmers. Lambing has been good.

Plenty of autumn feed made sure ewes were in good condition at tupping time and lambing weather has not been too unkind except in one or two arees.

The result should be an extra 20,000 tonnes of lamb coming out of the freezing works this season. There the good news ends.

Processing costs are likely to rise by et least a $1 a iamb and probably more, and unless there is a spectacular rise in British prices, the freezing companies schedules will oot open much above minimum prices.

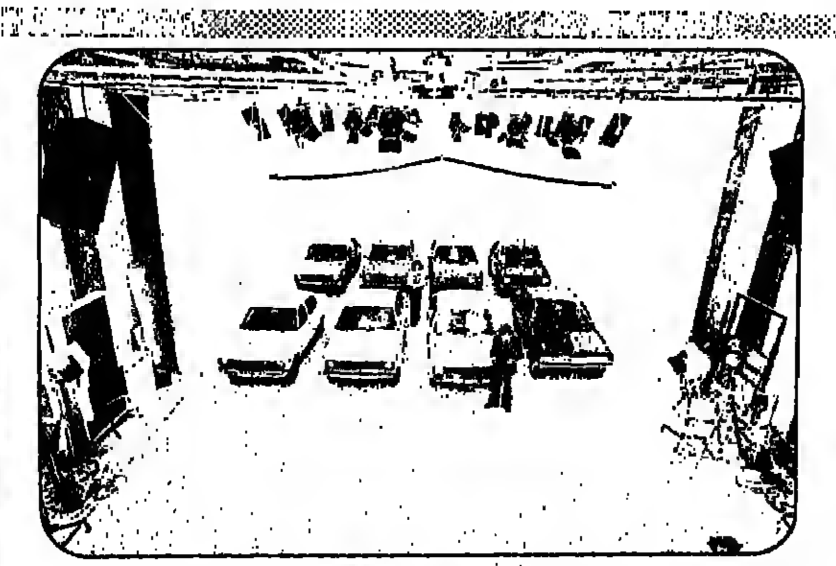
Normally the first scheduls of the season is announced at the Hawka's Bay Spring Show this week. But industry sources were predicting last week that the announcement would be delayed until "tha last minute".

Even so, higher production and firmer prices, though no one is really expecting them to stay down for long, will mean more money in the farmers' pockets, and more export dellars.

Now another good season hangs on one factor — the successful conclusion of award talks between the freezing companiee and tha meat-workers.

Another peaceful season like tha lest will inject a powerful dose of confidence into the farming industry.

Iraq has already signed a contract for 10,000 tonnes of lamb during the forthcoming season and with around 200,000 tonnes going to Britain there is *unlikely* to be much unsold surplus in store by next Easter.



Registered at Post Office Headquarters as a newspaper

Incorporating Admark

The state shall be mightier than the sward

by Colin Jemee

FAST law is on the move egain. The Government's immensely imporiant Netionel Development Bill will be rammed through the whole perliamentary procese in only a few weeks.

One can understand the Government's impstiance. Il has been working on the bill for months and has nothing left to discuss.

Bul this is a bill of fer-reaching significence — perhaps the central bill of the session — and the rest of us have only just seen it.

It raises important questions of principle which deserve to be settled by rational and careful debate — and that is unlikely egainst arbitrary sessional deadlines of a poorly managed Parliament.

Ths bill's geneals lies in the National Party backbenchers' desire to cut through bureaucratic red tape in the interesta of economic devslopment. The equation in the minds of lis original co-architecta, Doug Kidd and lan McLean wes: Bureaucratic over-reguletion equals stifled initiative.

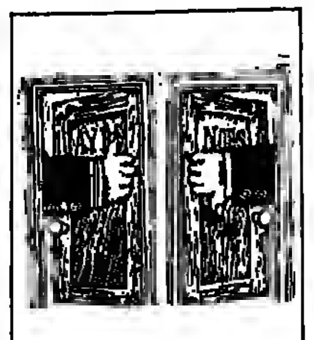
In the hands of Energy Undersecretary Berry Brill (NBR, psge 2, August 15), Regionel Development Minisler Warren Cooper end others, however, it has taken on frenetic overtones.

The Government — to put the metter at its crudeat — needs concrete evidence of prosperity round the corner by 1981 if it is to stay in power.

Kidd and McLean had a point. Planning procedures are cumbersome, complicated, confusing, convoluted and costly. Pruning this lawyer's money-tree (Kidd specialised in planning law) is an attractive ambiilon.

But instead of e carefully thought out comprehensive meaaure, we have one dealing with projects of "national importanca" only and proposing dreetic innovations.

In effect, the Government will be able to usurp the functions of the existing tribunals at various levels for any project it chooses.



POLITICS

The Planning Tribunal's power of veto is removed. The Government will decide whether a project is of national imporiance and its decision will be absolutely final. As the leglalation now stands it could if it chose stick a pigsty in your backyard.

Your only redress would be to vote against the Govemment at the next election and hope the new Government would change the decision (Governments usually don't).

In the meantime you would he stuck with the mess and the stink.

I share the Government's belief that importent economic decisions should not be mede by a bunch of feceless, unaccounteble political eppointees.

But I elso believe thet powers given to the Government under legisletion should be limited to the case in point. The public should be eble to test in the courts (as it has successfully done several times in past years) whether a Govemment action is sanctioned by legislation.

Under this bill it could not. All recourse to the courta from the minister's decision is prohiblied. The existing, politically unusable, overriding power in the Town and Country Planning Act is being institutionalised, widened and made usable.

What is so wrong with coming back to Parliement for approval for each project, as the Labour Party forcefully argued?

Parliament is probably not the correct forum for the detailed environmental and planning arguments thet ere properly the Plenning Tribunal's business.

But in debate end in select committee hearings the economic and sociel ceae, which is not appropriate for the tribunal, could be heard. The Government, to which the bill delegates thia decision in secrecy, would be bound to argue its case in the open.

Since the Govemment insists that only half a dozen projects ore anticipated over the next few years, it need not take up too much perliamentary time.

Secrecy is at the heart of much concern about the bill. Critics point to the time it took opponents of the Whangarel PVC plent and the Clutha power project to gather evidence and even to find out what the Government intended.

Without full information, how can we mere consumers of the Government's goodies form any rational opinion on a project? And how are we to obtain full information in the fece of habilual Govemment secrecy and the truncated three-to-12-month planning timespan.

Evan if we accept the Govemment's argument that the new procedure will improve access to environmenial material, there remain the social and economic isauea.

Falling back on the Government responsibility argument — e sort of suspensory public veto — is no answer.

The decisions this bill is intended to serve will lock us into a pattern of development for the 1980s. In any society that claims to be democratic, a broad consenaus would logically be preferable to unilaterel imposition.

A few years ago a consensus was found on a Government-knows-best plan for nuclear development. Lengthy rational debate led to ita shelving.

Sticking up a nuclear station under the National Development Bill would have left insufficient time or room for rational debote. The only recourse availoble to dissenters wuuld hevo been dynomite.

(It is worth noting olso that under the bill we would probably hy now havo had a Government - knowa - best thermal power siation at Te Atatu, using up much of the gas we now count on to run our cars.)

It can be argued cogently — and I would agree — that there is a broad consensus among New Zealanders that they do not want to leave their valued mobility at the whim of Arab revolutionarles. Ergo, Maui must be developed faat and a bill ensuring that fits the consensus.

But the National Development Bill goes far beyond that. It enviaages three other categories of nationally important projects — development of resources, major expansion of exporta or import substitution and development of significant job opportunities.

Stir in three factors.

One is Brill's exciting vision of repid industrialisation — a new 1880s great leap forward, with gas the springboard instead of frozen meat.

The aecond is the increasingly embarreasing Government - knowa - best Clutha power project, which will produce huge quantities of electricity we may not want before the mid-1990s, but will have to pay for all the same.

The third is the sniffing around by Germen heavy industrialists for cheap power.

Already, the Government hes proved willing, in the Fishing Industry (Union Coverage) Bill, to ensure a compliant workforce for foreign investors (which in turn raises the spectre of "direction of labour", once a socialist bogey).

It is clearly dead keen to get some of those industrialists here — and, judging by Brill's list of candidate projects, they would use the electricity for capital-intensive industry.

Do the industrialisers in the Cabinet eventually intend to use the National Development Bill to help those industrialists settle here? From its wording it is at least arguable that they do — and they will be able to.

It is arguable also that New Zealanders would welcome such development.

But there is no conclusive evidence that they would prefer it to labour-intensive development that would give them jobs during the 1980s instead of during the 1990s as a hoped-for spinoff.

The only way such a consensus could develop would be through debate.

The Government is correct to argue that planning procedures are not the place for such a debate, as they have been at times in the past.

But the thinking behind the bill suggests the Government is too strapped for time to foster a debate in more appropriate forums — Parliament, commissions of inquiry, the Planning Council, interest group discussions, the public affairs media.

So we get a sledgehammer measure of the like of the Economic Stabilisation Act, the first Labour Government's recipe for omnipotence.

That act has not withered under National Governments drawn from a party that originally opposed it. Instead they have progressively widened its application.

A National Development Act along the lines proposed would be similarly widened in use. What Labour Governments — never in the past modest in their use of state power — would do with it in the future can only be guessed at. Assurances of limited use can are no guarantee against future misuse.

Political brakes do not always work, despite Bill Birch's assertions.

Let us agree we need a streamlined procedure for projects of national importance, which should not be at the mercy of a tiny disruptive minority of ecofreaks.

Let us even agree we need speed on energy development and trust the Government to get it right. Let us be generous and agree, for the purposes of argument, that we want big foreign heavy industry.

But do we have to do it this way?

Perhaps not. National backbenchers are, in the words of one of them last week, "relaxed" about the bill, indicating they may force changes during select committee hearings.

But if not, it will be an irony of the 1979 parliamentary session that the National backbenchers who have fought with skill and determination to trim the powers of the state machine will have handed the state one of its mightiest weapons yet.

This session would then be remembered not for the defeat of the fiscal regulator and assorted minor liberal victories, but for the Remuneration Act, the Commerce Amendment Bill's draconian price control powers and the National Development Bill — a landmark year in the relentless advance of state power.

Jobless index: pressure for accurate data

by Mery Varnham

HOW many people in New Zealand are unemployed?

Ask that question oow and you'll get a selection of answers ranging from around 122,000 down to 40,000.

Take your pick — the truth is no one knows for aure.

But all thia will change if mouotiog pressure on the Government to set up a full and cootinuing labour survey succeeds.

Such a survey, similar to the household surveys now undertaken in the United States, Canada and Australia, would be administered by the Statistics Department.

Full unemploymeot figures would be made public every quarter.

Insiders say the results could be as potentially explosive as the CPI, which measures inflation.

The limitations of official unemployment figures as they are now calculated are notorious.

Labour Department statistics for last month show 26,238 people out of work, with a further 24,461 on special work programmes.

But the department would be the first to admit that the total of just over 50,000 is far from being the whole picture.

Labour Department figures are based solely on the number of people who actually register as unemployed. The problem is that many people who lose their jobs — particularly married women who are ineligible for unemployment benefits — do not register.

The discrepancy between actual and official figures became a talking point after *the 1976 census*.

While registered unemployed at the time totalled only 5021 (with another 4558 on special work programmes), a startling 26,337 people declared themselves as

"unemployed and seeking work" on their census forms.

This figure, the result of an unsupervised poll, was probably not exact. But it did show that unemploymeot, just beginning to show up after a long period of full employment, was already a much greater problem than anyone imagined.

The official figures have been treated with a grain of salt ever aince.

Moves to get a true assessment of numbers unemployed have intensified in the last two years, with tough economic conditions and an exodus of skilled labour from the country adding to the pressure from both public and private sectors.

A full labour survey, as its advocates point out, would not only provide accurate unemployment statistics.

More important, it would provide information about skills available and the extant to which they were being utilised.

As a result, projects could be scheduled to fit in with manpower available and training programmes could be better geared to fill in shortages expected in different skills in the future.

Failure to do this has been a glaring weakness in the educational system. Thus we have a chronic over-supply of carpenters after an equally chronic under-supply several years ago as just one example.

In February this year, the newly-created Employment Conference, a high-powered thinktank of representatives from Lebour, Treasury, Trade and Industry, the Prime Minister's Department, the FOL, CSU, Employers Federation, Manufacturers Federation, Federated Farmers and the Planning Council, recommended that the survey be mounted "as a matter of urgency".

The cry was echoed by the Industrial Relations Council in May.

Soon afterwerds, the Departments of Labour and Statistics presented a joint submission to the Cabinet Economic Committee.

The decision — endorsement in principle. The okay was given for a pilot survey only.

Commented a union member of the Employment Conference: "The Government has resisted the full labour survey for as long as it can but it's got to the point now where just about everybody agrees it's vital to the country's economic future. Without it, any reasonable planning and policy assessment is impossible."

This is not to say thet the project will go ahead. Like the CPI, a quarterly figure of actual unemployment could become an unwelcome albatross and the Govemment is well aware of this.

Unlike the Labour Party, which made the survey a part of its election platform, National hae managed to sidestep the issue until now.

But, as long as the Government doesn't produce "real" unemployment figures, other people will. And theae figures, like the 122,000 which emerged from Auckland recently, may be much more frightening than the real ones. (Unofficial PSA estimates, for example, put tha current level at more like 70,000.)

As things stand, the Government has dalayed long enough on the labour survey issue to ensure that no results will probably emerge before the next election.

Kevin Eddy, who is in charge of the project at the Statistics Department, estimates that the pilot survey will start some time in the new year. Based on this, a submission will be made to the Cabinet Economic Committee towards the end of 1980 for a full and continuing survey.

If this is approved, Eddy says, e further six months' preparation will be needed before the survey can get under way.

That would mean e mid-1981 kick-off, with the first results due out late 1981 or early 1982.

Nor will any results of the pilot survey be released. The pilot is not intended to gather information per se, but to test the survey's technical design.

In one aspect of this it will be a pioneer — for the first time in a public poll, data will be collected by telephone, rather than in face-to-face interviews.

Should New Zealanders prove responsive to this form of questioning, widely used overseas, it should bring down the costs a little.

But according to Employment Conference sources, the tab is still likely to be about $500,000 a year.

But all sides agree it's a small price to pay for the huge gains in efficient use of manpower and resources which would result.

Now all they've got to do is convince the Government.

EDITORIAL

THE test of private enterprise, Prime Minister Rob Muldoon asserted at the opening of L D Nathan's distribution complex at Wiri in April, is that it must work not just in its own interests, but also in the wider interests of the people. "The grouping together of firms should ideally be both for the benefit of shareholders and the public."

But when a takeover bid threatens what the state perceives to be the interests of the public, it can make matters frustratingly complicated.

Under the Commerce Act, the Examiner of Trade Practices has a statutory duty to decide if a takeover is in the public interest. If not, he refers the matter to the Commerce Commission.

In August, the examiner (Mr E A Monaghan) made clear that — in his opinion — the takeover bid by L D Nathan for McKenzies might be against public interest. That made inevitable a Commerce Commission inquiry.

Last week, the examiner's attitude hardened. He publicly released a report which calls for a total prohibition of the proposed takeover.

His fundamental objection is that the Nathan proposal involves the elimination of competition.

Last week, L.D. Nathan announced it was lifting its dividend for the third year running after a 45 per cent profit increase for the year to July 31. As "The Dominion" noted: "The dividend increase and a record $4,806,000 net profit should help to take shareholders' minds off the mounting difficulties confronting the company's takeover bid for retail chain McKenzies Ltd." The profit included 10 months trading from Woolworths NZ Ltd which Nathan took over last year.

In towns throughout New Zealand, of course, Woolworths and McKenzies stores compete side by side. If one were closed, the other would benefit and competition would be eliminated.

Nathan has made no secret that rationalisation is the key to its takeover bid and that it would want to shut down some stores. But there has been nothing to indicate what would happen to staff — and the Examiner of Trade Practices must consider the possibility of redundancies.

This isn't the first takeover bid to be given the thumbs down by the examiner. He has decided that previous takeover proposals were not in the public interest, but the prospect of Commerce Commission hearings apparently decided the bidders to withdraw.

But this is the first takeover bid to be heard by the commission. And it is one that has been highly contentious. The examiner has been subject to vigorous lobbying by, for example, the Clerical Workers Union and more especially the Shop Assistants Union.

There will be particular interest now in seeing how much influence the examiner's report has in determining the commission's decision. The lengthy preliminary hearing will begin on November 14.

The Commerce Act is aimed at promoting the interests of consumers and the efficient development of industry through the encouragement of competition. But while the examiner may approve takeovers without reference to any other authority, prohibiting them is a different matter — and a time-consuming one, Nathan is finding. Its takeover offer dates back some six months, and apparently it will be several more months before the outcome is known. The protracted procedures must have implications for Nathan's continued keenness to proceed with the deal.

Bob Edlin

WITHOUT WORD OF A LIE

A NEW convention has just been introduced into the procedure by which local authorities select their polyethylene refuse bags.

The "battle of the bags" has become something of a ritual among local bodies as rival refuse bag manufacturers seek the municipal contracts.

The new standard is NZS 7603:1978. It provides a specification for low density polyethylene sacks intended for use in both domestic and commercial rubbish collection.

This new national standard rationalises the range of refuse sacks offered by manufacturers.

It also simplifies the tendering process for local authorities who will be able to use the new standard as a guide to the quality of sacks available on the market.

Local authorities through the Municipals Association and the Counties Association along with the Plastics Institute and the Health Department were all represented on the standards committee.

The standard outlines requirements such as the density of polyethylene used, appearance, dimensions, shape and quality control tests.

Significantly, a drop resistance test is included which requires that a bag containing 15 kilograms of wood chips, must remain intact after being dropped three metres on concrete.

But some local authorities, which are still wary of the bag system in all its forms whether fibre or plastic, such as the Wellington City Council, might have preferred to see the bags undergo a cat and dog maul resistance test.

The vulnerability of bags to attack by domestic animals remains the main reason behind the retention of the old fashioned dustbin.

●

"OUR fares are not so steep," screams the headline on "Travelling Times", Air New Zealand's free giveaway magazine delivered to most households.

With flak flying from all directions for putting up domestic airfares twice within a few months, the airline is using most of the magazine front page to defend itself. And on the face of it they seem to have a point.

The Auckland-Wellington fare at 11.6 cents a kilometre compares favourably with Hamburg-Munich, 23 cents, London-Hamburg 20 cents, Sydney-Melbourne 10.4 cents and San Francisco-Eugene nine cents.

Even allowing for the fare discounts most European passengers get, Air New Zealand's domestic services still look a reasonable buy.

British Airways passengers, who can easily get a 40 per cent discount on return flights to Zurich without fulfilling any awkward conditions, are still paying 11.5 cents a kilometre.

And anyone in London who wants a weekend in Amsterdam can get there and back for $105, 14.5 cents a kilometre.

Normal economy fares, for those foolish enough to pay them, are of course much higher.

Air New Zealand points out in Travelling Times that domestic airfares over the last 7½ years — itself a curious time span — have failed to keep pace with consumer price index.

But the real significance is that Air New Zealand's domestic airfares are now higher than the once notorious domestic Australian airfares.

Since October 1975 — NAC put up fares around that time — the Sydney-Melbourne fare has risen by only 54 per cent.

But the Auckland-Wellington fare has leapt by 84 per cent from 6.3 cents a kilometre, slightly cheaper than the Australian fare, to 11.6 cents, more than a cent a kilometre above.

Air New Zealand's experience with fare discounting on domestic routes recently has not been entirely happy.

Since July travellers have been able to get a 30 per cent discount by carefully planning journeys and booking at least two weeks in advance.

Around 45,000 people have already done so, sufficient for the scheme to be extended by a month to mid November.

A guesstimate made by booking staff suggests that up to a third were new business — people who would otherwise have gone by road or not bothered — while a proportion of the rest were people switching from peak hour flights to get the discount.

Air New Zealand's commercial general manager Matt Ramsden said the response "had been adequate rather than exciting".

Not all the budget fare seats had been sold since the tickets went on sale. The concept of advance purchase for domestic travel was taking time to be accepted, he said.

Budget fares have not been helped by their promotional difficulties needing careful study of a matrix to find the flights with cheap seats.

This with other results will be studied by the airline in the next few weeks before the scheme is extended on a more permanent basis. It is unlikely to operate over the few Christmas peak weeks.

●

MEMBERS of the Cosmetic and Toiletry Manufacturers Federation who read last week's "Without Word of a Lie column" are wondering if they were taken in by the results of some of their own products.

A character bearing a remarkable resemblance to Trade and Industry Minister Lance Adams Schneider addressed their annual conference in Auckland.

But on the speech notes provided by the Minister's own office and reported in NBR, Lance did not give the speech. He deputised the chore to a departmental officer in Auckland.

We are now assured by our sources that the speech-giver was neither a blow-up dummy, nor Lance's touched-up doubles — but the man himself.

The story goes that Lance had cancelled at the last minute when the FOL could no longer be restrained from calling a general strike.

Unknown to him the conference was postponed too, because the venue would have been strike bound.

Happily, both Minister and manufacturers got together two weeks later on October 8. And an NBR staffer is now reaching for the cosmetics to cover his blushes after speculating on the reasons why Lance had not fronted the federation!

●

THE health food craze for high fibre bread has sent Auckland bakers in quest of fibrous materials to add to their yeast and flour. And this quest might lead to some strange materials in our daily bread.

One baker is using bran and pea hulls to provide fibrous texture. Another has tinkered with the idea of using fibrous materials derived from apples.

And another has tried baking coconut shells in his loaves — but gave the idea away fearing he would never get Health Department approval.

One source of fibre used in the USA is wood pulp — the same stuff used to make paper, cardboard, and letters.

At least one baker contacted by NBR has baked a few sample loaves with wood pulp but decided against using it before putting the product on the market.

New Zealand Forest Products' sales manager Ray Wentworth, said several bakers had enquired about supplies of bleached kraft pulp. But, he said, no deal has yet been struck.

BROCKIE'S VIEW

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IT HAS been raining a lot in Wellington of late — and windy too — but the flood of rising prices forecast by the pundits after the ending of the Stabilisation of Prices Regulations 1974 has yet to appear.

Officials in the prices stabilisation division at Trade and Industry claim to be getting less complaints from angry consumers now the regulations are dead than while they were in force.

And there seems no evidence to suggest that the price leaders — those companies with sales over $7.5 million or service companies with a turnover exceeding $2 million, who are still obliged to notify the department of price rises — are taking advantage of the consumer.

The Retailers' Federation greeted NBR's inquiries with derision. "You must be joking," was the first reaction.

In the federation spokesman's view, the regulations were never more than "a lot of political window dressing," that had very little effect on the marketplace.

Prices still went up every six months, as often as the regulations permitted those products on Schedule B. Essentials like sugar, butter, flour and bread still are price controlled.

The regulations finally expired last month. But Trade and Industry has not lost control over all prices. The Commerce Act empowers it to investigate cases of profiteering where prices are 20 per cent above the average or more.

And it is this power it is using against an increasing number of tradesmen who have upped prices by as much as 80 per cent since April.

The Consumers Institute is also expected to take a keener interest in professional fees and other services next year.

●

THE Auckland Star was particularly well represented at a recent Wine Institute luncheon — a half-dozen of its reporters and a financial editor were there.

The Star's report on the function appeared later that day. It originated from the Press Association in Wellington and was datelined Hamilton.

Yet the function was held in the Star's home town — Auckland!

●

KEN Comber, Undersecretary for Internal Affairs, has proposed that we should fly our national flag more frequently as a display of national pride.

There are those who would be more willing to do this if our flag were more truly nationally representative.

The Union Jack dominates the design as a reminder of British colonialism, they assert, and the Southern Cross is a device shared with Australia.

Canada designed a simple, unmistakable national emblem and embodied it in a highly identifiable flag.

Why can't we do the same?

We can. If we can find a designer good enough to produce the outstanding Commonwealth Games symbol, we can find one to design a national flag.

The only problem from then on is to find enough people to agree on it.

●

CIVIL servants inefficient? Don't you believe it — at least, not of all civil servants.

News has come our way of some super-efficiency within the Justice Department. Among those handling those accursed electoral rolls, what's more.

The story was revealed to Opposition MP Jonathan Hunt to explain a constituent's problems with the electoral roll.

The records apparently showed that the constituent had completed an application for an enrolment as an elector in June 1978 and again in July 1978, and her name appeared on the supplementary roll for the Eden electorate as duplicate entries.

When the duplication was noted, the appropriate action was taken to delete one of the entries.

But as Justice Minister Jim McLay explains, because of a problem with which the office was faced at that time, the action "was doubly effective" and both entries were removed from the record...

●

There is more profit in travel insurance than selling airline tickets — particularly if you are a member of the Travel Agents Association of New Zealand.

Travel agents get only 8 per cent commission on an airline ticket. They get 33.3 per cent commission for selling travel insurance for Comprehensive Holidays, New Zealand Insurance, or Commercial Union Assurance.

And TAANZ gets an additional 2.5 per cent on top of this 33.3 per cent if, for no other reason, than letting its members act as de facto insurance brokers.

TAANZ, through its executive, has been anxious that they appear to be acting in the public interest.

But the high commissions paid to travel agents, plus the TAANZ 2.5 per cent on top has the effect of pushing up premiums paid by the consumer by some 56 per cent.

This fact has not been missed by the three insurance companies who are interested in reducing the commission (see NBR August 22, 1979).

When the three insurance companies approached TAANZ they did so in concert.

But acting in concert evoked the charge that the insurance companies were operating a cartel.

Now each company will act separately in its negotiations with TAANZ to avoid the cartel label. What is not clear is whether they will act uniformly on the commission question or not.

It would be foolhardy for any one of the three companies to unilaterally arouse the ire of TAANZ — especially foolhardy for Comprehensive as this company deals exclusively in travel insurance and relies heavily on TAANZ support.

Travel insurance sold through TAANZ members earned these three companies a premium income of $215,232 in the 1976-77 July year, $1,400,336 in 1977-78 and $2,464,240 in the 1978-79 year.

Agent's commissions went from $215,232 in 1976-77 to $821,331 this year. The TAANZ rakeoff went from $18,144 in 1976-77 to $61,806 this year.

NZI and Commercial Union appear to be doing better through the arrangement with the travel agents than Comprehensive Holidays — the first into the scheme.

Comprehensive lost about 50 per cent of its market share of TAANZ sales last year while NZI increased its sales of travel insurance through this avenue 46 per cent and Commercial Union by 278 per cent.

All of which leads to the question; which insurance company will go for a bigger market share by cutting rates to the public by cutting the individual agents and TAANZ out of their commissions?

●

WELLINGTON'S morning newspaper, The Dominion is again flirting with the tabloid format now favoured by most British dailies.

The on again off again relationship began a decade ago when the newspaper went tabloid for 18 months before trying to emulate the clean cut broadsheet format of The Australian.

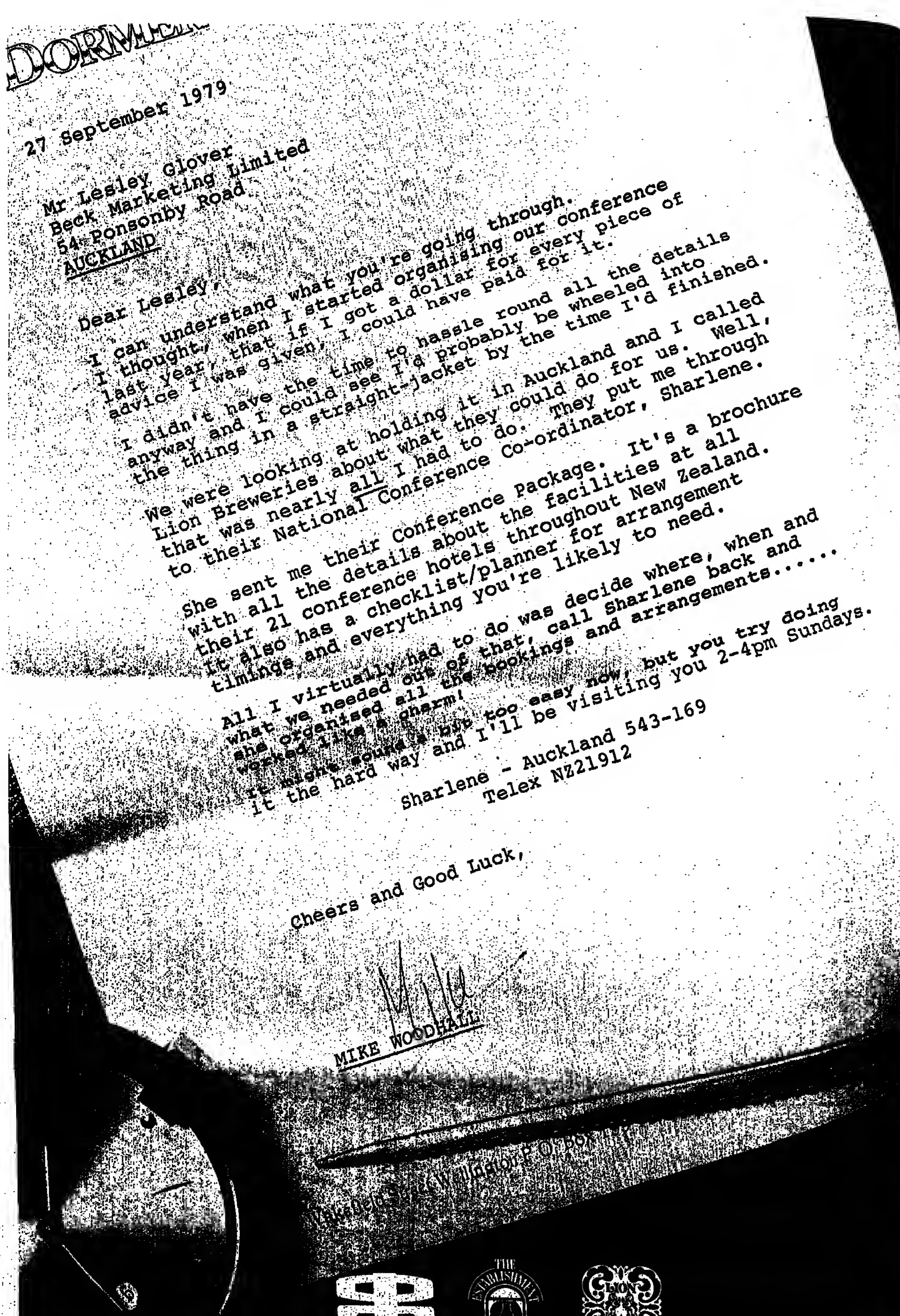
To test the public's reaction, two day's issue of the paper will be recast in tabloid form and several hundred copies distributed to readers.

If favourable and subject to a two thirds majority in the boardroom, the paper is likely to appear in its new format early next year.

Feelings among staff journalists on the change are mixed. Some fear a daily Sunday News or the Kiwi version of Murdoch's most successful paper, the five million a day, tit and bum London Sun.

A circulation gamble would seem to be one of the reason's favouring a tabloid.

The Dominion's daily circulation is stuck around the 60,000 mark, unmoved by the otherwise unsuccessful "name game" of recent months.



Ethanol crying out for Government guarantees

THE half-hearted attitude from governments throughout the world to the introduction of large plants to produce liquid fuels from crops is clearly in the minds of OPEC economists as they continue to pitch their oil prices just below the increasing costs of alternative fuels.

Only governments with the will to adjust tax policies to make alcohol fuels competitive with petrol could ever create the opportunity to smash the OPEC economic and supply stranglehold. But most continue to pay and pray.

Despite the signs that New Zealand interests are ready to spend money on ethanol schemes, Government guarantees are still not forthcoming, and observers fear future schemes falling apart.

The recently announced consortium of the Shell Holding Company, Canterbury Sugar Development Society and Dalgaty New Zealand to undertake a feasibility study for a multi-million dollar plant in Canterbury is crying out for Government commitments.

The issues centre on pricing, the role of the Maui gas-based competitor M 15 (Methanol-petrol blend), and the Government attitude to an initial subsidy.

A guaranteed price is crucial if the agro-industrial venture is to succeed.

A subsidy could be phased out as OPEC price increases make ethanol plants competitive.

The threat of widespread use of M15 blends priced low enough to crush a fledgling ethanol scheme also demands guarantees.

The Government commitment to a renewable liquid fuels future would also be measured in its funding of research.

Scientists are calling for the annual $52 million to be quadrupled. They also see a greater Government role in incentives and-or directives to the motor vehicle industry which may have to front-up with vehicles capable of running on 20 per cent ethanol blends by 1983.

There is little doubt that transport fuels from crops will be our future path.

The efforts of Brazil to develop its ethanol programme are showing rewards already. At the start of the year the Brazilians were running 3 million vehicles on ethanol blends and meeting 14 per cent of their automotive fuel needs.

Pure alcohol will fuel 1.2 million cars that are to be built in that time, and 475,000 older cars will be converted.

The United States, too, will produce 100 million gallons of alcohol this year.

The Federal Government has exempted "gasohol" from the Federal sales tax of 4 cents a gallon, and some states have also exempted "gasohol" from local taxation.

The New Zealand experience in fermentation plants is well known. (eg. brewing; winemaking; sewage treatment).

The recent report from the New Zealand Energy Research and Development Committee on The Potential of Energy Farming for Transport Fuels in New Zealand says ". . . energy farming could provide substantial amounts of transport fuels from renewable sources of energy. It is technically possible to provide all road transport fuel which present projections say New Zealand will require in (the year) 2000 . . ."

"It appears also that the 1977 production cost of readily usable transport fuels may not be significantly above the 1978 cost of imported gasoline."

The current move towards a commercial and technical feasibility study of an ethanol plant is important for the way a multinational company is prepared to do business with 300 farmer members of a Sugar Development Society.

It is the first announced move to bring farmers and technologists together to develop an agro-industrial system which can be "on tap" for as long as the sun shines.

Environment agency stays silent

by Belinda Gillespie

THE Commission for the Environment has maintained a discreet silence about its new role under the National Development Bill.

Some commission staff have expressed mixed feelings, and are deciding whether to make submissions to the Select Committee which is to consider the Bill.

On the one hand the Bill gives the commission for the first time some statutory clout.

On the other, there is a fear that the full implications of the new law are insufficiently understood.

But Commissioner for the Environment Ian Baumgart — one of the officials consulted by caucus on the formulation of the Bill has few reservations.

Pointing out that the Bill may yet be changed, Baumgart said that as it stands it won't make much difference to the commission's present situation in regard to projects of national importance.

Baumgart said that under the proposed law, any proposer wanting the provisions of the Act to be applied to a project would "work up" an environmental impact report at the same time as he was developing the plans and other material which he will have to supply to the Minister of National Development for consideration of the work as one of national importance.

The Governor-General, on the Minister's advice, by Order-in-Council which in the words of the Act "shall not be challenged or called in question in any court" will apply the provisions of the Act to the work.

The Minister then refers the application to the Planning Tribunal for an inquiry, report and recommendation.

"As soon as practicable" after making his application, the proposer will have to forward both to the commissioner and to the Planning Tribunal his environmental impact report on the project.

Government has generally called for an environmental impact report in the past (a significant exception was the ammonia-urea plant at Kapuni) but it has not been mandatory. It will be under the new Act.

When the commissioner receives the report, it will go through the same auditing procedures as it does at present.

But the commission will have the advantage of a three-month audit period, considered more realistic than the present two months.

There has been some flexibility in the two-month deadline. But the new three-month deadline will be mandatory.

The commissioner must notify the public as soon as he has received the report, make it available for inspection, and call for any submissions to be made within six weeks.

When he presents the audit to the Planning Tribunal, the commissioner again must give public notice of the fact, and open the audit for inspection.

The final decision on whether the work is to be declared of national importance is made by the Minister of National Development, after considering the tribunal's recommendation.

The Governor-General, by another Order-in-Council, will make a declaration on the advice of the Minister, authorising the work to proceed and imposing any restrictions and conditions thought necessary.

The Commissioner for the Environment has standing under the Act to present independent evidence to the tribunal.

Baumgart pointed out that previously, it was a "grace and favour" situation — though the commissioner was generally required to put his case, he had no legal right.

Baumgart emphasised that the Government under the present law can use procedures to enable it to make overriding decisions. But the new provisions for consideration of all matters by the tribunal, he thinks, will mean greater evaluation and the "concentration of all issues into one wide-open procedure".

The Bill has powers to override the provisions of 28 other Acts.

The significant ones are the Water and Soil, and the Town and Country Planning Acts.

"But in any case, the tribunal is one of the present Town and Country Planning Review tribunals," Baumgart said.

"The Government has been careful to use one of the three presently set up for dealing with appeals — not to set up a special tribunal which could be accused of being appointed to carry out the Government's wishes."

Although the Bill provides for a fourth tribunal to be set up, this will be to deal with the extra workload, and the tribunal used could be any one of the four.

Town and country planning decisions are nearly always taken to one of the tribunals as things stand at present.

Will the extra work strain the resources of the commission, perhaps causing it to reduce the time spent at present on educational and innovative work?

Baumgart says that in some ways the commission's work will be easier, as it now knows exactly where it stands.

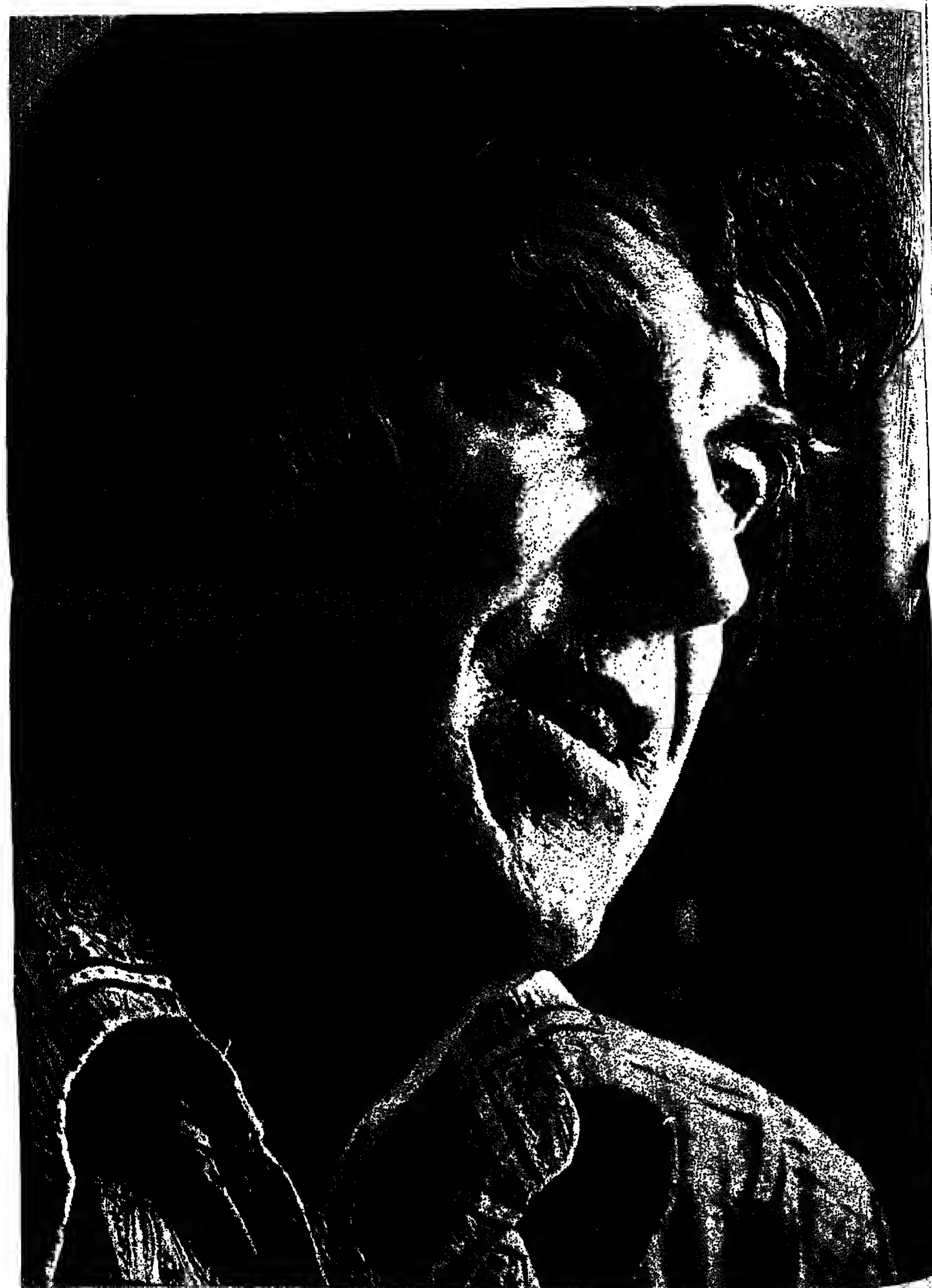
Anticipating a heavier programme of projects to consider in the near future, Baumgart admitted that there would be a greater workload. But no consideration had yet been given to expanding staff or resources.

He hopes that the extra activity will not affect the commission's other activities.

Decisions on whether projects will go on the "fast track" will be made openly at all stages, Baumgart claims.

"The audit will be public, the input to the tribunal wide, and the Act represents a good reconciliation between the needs for speed and for the public to have the opportunity to comment."

"It's more impressive to fail on a difficult objective than to succeed on a modest one."



American Express, in conversation with Cardmember Sir Edmund Hillary.

Sir Edmund ("call me Ed") Hillary: Mountaineer, Adventurer, Explorer, Author, Businessman, Nepalese Bridge Builder, Chairman of the Himalayan Trust. Attended Auckland Grammar where, despite the motto (Per Angusta ad Augusta – Through Narrow Paths to the Heights) he remained uninspired. Eventually discovered mountains, conquering the biggest of them all in '53. Became the youngest Knight of the century. Other remarkable achievements include driving a convoy of farm tractors to the South Pole.

A.E: I read the other day where someone said that if you are going to dream of impossible things you might just as well dream of big impossible things.

E.H: I agree actually. A challenge you're confident of overcoming is hardly worth starting. Why bother if you are quite confident that you are going to overcome it? The real challenges are ones that extend you to the utmost. Where there is always doubt as to whether or not you are going to be successful. Then, when you succeed, if you do succeed, you have a great sense of achievement. It's more impressive to fail on a difficult objective than to succeed on a modest one.

A.E: Have you always had a clear picture of your goals?

E.H: No, I don't think I did. People said "When did you first really get your great ambition to climb Mt. Everest?" Well, I didn't get my great ambition to climb Mt. Everest until a year or two beforehand. I'd been climbing for many years before I even thought of the prospect of going to Mt. Everest.

A.E: You didn't tell your mother in 1939 that you were going to climb Mt. Everest?

E.H: No, no. You know, there was old Frank Smyth who was one of the great mountaineers and wrote lots of books. He wrote in one of his books that when he was a young child his parents took him across France. His mother was holding him in her arms, suddenly on the horizon, he saw a great white mass of mountain peaks whereupon he duly rose up and pointed in the direction of these peaks said "go gaga goo goo". Which meant (supposedly), "I'm going to become a famous mountaineer". Well, that's really a lot of rubbish. People tend to try to give you ideas and a future far before you ever had these firm convictions.

A.E: At what age did you realise you were going to become famous?

E.H: It wasn't until I actually climbed Everest that it suddenly dawned on me that I was going to be in the uncomfortable position of being famous. Before Everest, even on the mountain, I had never really even thought about it. We were much more innocent in those days. Nowadays, the modern athlete is aware that if he is very successful there can be economic, substantial economic benefits, from what he does.

A.E: If Ed Hillary had climbed Everest in the '70's, the 33-year-old Sir Edmund Hillary would have been a very marketable item indeed. Are you glad or sad that you escaped that kind of marketeering?

E.H: Very glad. I have a little bit to do with it anyway, but I have been able to keep it to what I regard as a reasonable minimum. There are advantages of course, as far as the fame business is concerned in raising funds for projects. In things of this nature, it certainly has been very beneficial. But I don't envy the great athlete of today who gets involved in the tremendous commercial rat race.

A.E: Did Neil Armstrong's giant step, I wonder, create as much excitement for people as Ed Hillary's? I remember looking at the moon and thinking, "Hey, there's somebody up there", and the people around me were walking along looking down at the pavement.

E.H: There's a tremendous difference in the challenges and adventure of today. It's not only the achievement of the individual but the thrill of those back in Houston pushing all the buttons. I think it was probably more fun in our day in that you were the one who had to make the decisions . . . you weren't just a part of a very highly qualified technology which was thrusting you almost into position.

A.E: Decision-making is obviously a characteristic of a mountaineer . . .

E.H: I think that most people can learn to become decision-makers. I certainly was never anything like a born leader but I found that over the years there were certain techniques that one could follow which enabled one to handle groups of people who could easily be far more efficient and far more intelligent perhaps than oneself. The thing I always found was doing your homework. Before you went to bed each night, you just went through in your mind what was going to happen next day and briefly thought out what problems you might meet and what you would do if those problems did occur. Now, that meant that if something did happen you had thought the matter over and you were in a position to give a competent decision immediately.

A.E: How long have you had the Card?

E.H: For five or six years, and find it most useful for identification. For example, in American hotels where they often ask you for identification before you even check in, I've found the American Express Card is particularly valuable. It really does give you formal identification. It does have a definite status; there's no question of that.

To apply for the American Express Card, call us on Auckland 771-669, Wellington 727-456, Christchurch 66-772, Dunedin 776-680, or pick up an application where you see this display:

The American Express Card. Don't leave home without it.

BANZ initiators adopt a wait-and-see attitude

by Bob Edlin

PRIVATE enterprise — which is now adopting a wait-and-see attitude to the BANZ joint-venture in Bahrain — initated the project.

The port coolstore was officially opened last week, while Prime Minister Rob Muldoon was in Bahrain.

The Bahrain Government invited New Zealand's participation in the project after a company called Arabco Traders had made the initial contact.

Bahraini businessmen have made clear that if it had not been for Arabco, there would be no BANZ — and probably no New Zealand representatives in Bahrain.

"Except for Amalgamated Marketing, Arabco were the only New Zealanders here," said one Bahraini.

After Arabco's withdrawal from the initial dealings, the head of the Prime Minister's Department, Bernie Galvin, "think tank" man Jack McFaull, and the Export-Import Corporation consolidated New Zealand's involvement in the enterprise.

Arabco Trader's managing director Peter Bromily is an ex-FAO man with good contacts in Arabia.

The company was later split.

Arabco Traders was submerged within Allied Farmers.

Arabco Ltd became a construction business.

Arabco Ltd got the contract on a 50-50 basis to build the complex for BANZ with McConnell Dowell.

Arabco built the cool store and McConnell Dowell the civic works.

Arabco Ltd chairman Doug Hazard said the firm was not interested in trading, (only in construction). It was therefore, not interested in an equity interest in BANZ.

Hazard is also chairman of Allied Farmers, which owns Arabco Traders.

Hazard said Allied Farmers might be interested in an equity interest in BANZ. But there was no rush.

It was better, he said, to get the BANZ project up and running before offering the shares to private companies.

"I think it's logical for private companies to tie-ho till the project gets going," he said.

"Basically it's a trading facility that anyone can use therefore it is not important that one have an equity stake in it."

Arabco Traders originally had been concerned with fisheries, but later became involved in some trading activity through a company called AA Supermarkets.

It became involved in dealings with the Minister of Development, Yusof Shirawi.

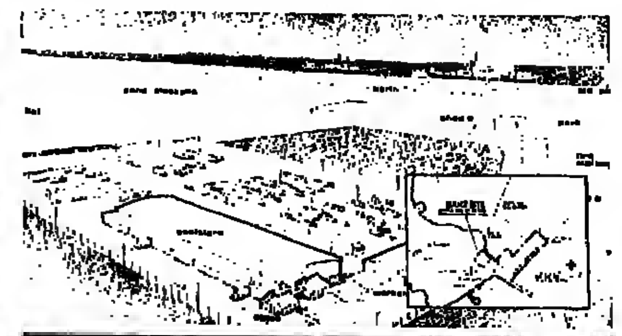
Initially, the idea seems to have been for Arabco and the New Zealand Government to have separate shareholdings in BANZ along with a Bahraini shareholding.

Arabco acted as consultant in the formative stages of fixing design parameters for the complex.

It withdrew from that involvement when the New Zealand Government suggested Export-Import Corporation involvement.

The dealings continued between the governments, and Muldoon signed an agreement for the project in April 1977.

The New Zealand consulate was opened in Bahrain early last year, with Richard Woods as Consul-General. He is an alternate for both New Zealand's directors — McFaull and the Export-Import Corporation's Bill Revell — and represents New Zealand's interests in day-to-day contacts in Bahrain.



DOUG HAZARD . . . construction only.

RICHARD WOODS . . . alternate director.

The opening of the diplomatic post in Bahrain was aimed not only at giving support to the efforts of exporters, but also to foster the establishment of BANZ.

It is the first time in which the New Zealand Government has been involved with an overseas co-government in such a venture.

The project is dear to the heart of Prime Minister Rob Muldoon, who last week recalled a meeting with the Bahrain Emir's brother in September 1976 during which the question of the joint-venture was raised.

The Australians, apparently, had been lukewarm about the idea, but: "It appeared to me that this was an opportunity that had considerable merit from New Zealand's point of view."

The Arab world ate sheepmeat: it had vast wealth arising from the escalating price of oil; and the oil-rich countries were importing vast quantities "of all kinds of things which they need to build up their economies, from foodstuffs to the most technological equipment," Muldoon wrote in Truth.

"It is not an exaggeration to say that the Arab world, and a joint venture between the Government of Bahrain and New Zealand, can only, I believe, be a story of success."

Under the intergovernment agreement fundamental to BANZ operations, priority is to be given on the basis of "first available berth" to vessels carrying cargo consigned to BANZ.

BANZ has been designated a "free zone" facility by the Bahraini port authority, and will hold goods in bond for distribution and transshipment.

The object is to promote regional and inter-regional trade.

The first stage of the project, provides 2800 tonnes of freezer space, 1100 tonnes of chilled space and 100 tonnes of fruit storage — a total of 5000 tonnes of reefer storage.

There will also be 50,000 sq ft of airconditioned warehouse and a hard area of 100,000 sq ft with space on it for more than 100 ordinary containers and more than 100 reefer containers.

Bahrain Government investment is involved in the three Bahraini partners, which should ensure it has no problems.

The Bahrain Royal Family, too, has investments.

The project originally was proclaimed as a $20 million venture. It was later scaled down.

It was conceived at a time when the Gulf states were enjoying an economic boom based on oil.

At the time BANZ was set up, Bahrain was not seen as a great market in itself but as the gateway to a number of potentially big markets on the mainland.

A major attraction is the Saudi Arabian Government's proposal to build a causeway 25 kilometres long to link the country with Bahrain.

That will make possible the rapid distribution by road of refrigerated and other cargo to Saudi Arabia, the United Arab Emirates, Oman, Kuwait and Qatar.

The BANZ facility is considered supplementary to existing channels of trade, and should not replace them.

Traders previously faced the problem of delays between the placement of orders, and opening letters of credit, on one hand, and delivery to importers on the other, and could face delays up to three months.

They had to foresee requirements that far ahead, and take delivery of big quantities each time.

BANZ provides a sales or distribution centre for the whole Gulf area, warehousing and delivering consignments by the best method, and speeding customs and port formalities.

An important role will be in marshalling and storing perishable foodstuffs, manufactured goods, timber and general cargo from New Zealand and other countries for regional re-export.

Exporters can sell from stock on the spot, which means they can offer customers in Bahrain rapid delivery with a minimum of paper work.

A minimum of funds will be tied up for the importer, who need only contact BANZ to place his orders.

BANZ began trading in a small way in May.

But the coolstore, which is expected to be the main attraction for meat and dairy exporters, was not finished till late September.

The dry goods store should be finished soon.

And in the longer term, 12 warehouses and coolstores will be built on the BANZ site.

In its first year, the complex is expected to handle up to 40,000 tonnes of goods, rising to 65,000 tonnes in five years.

NBR BUSINESS WEE

Agriculture report: some ups and some downs

by Peter V O'Brien

THE Ministry of Agriculture has good and bad news for farmers in its recently published annual Current Agricultural Situation Report.

The ministry's economics division says that sheep and beef farmers' net incomes in 1979-80 are forecast to rise by 7 per cent over the previous year, but dairy farm net incomes are expected to decline by 12 per cent. Total farm income in 1979-80 is a forecast to remain at about last year's level.

"There is a general mood of confidence in the industry and sheep and beef farmers are catching up on deferred maintenance and undertaking development projects under the Government's schemes.

"However, there are signs that fertiliser usage could be well down this year. Advances to farmers from financial institutions are increasing substantially and there could be some stress on liquidity at tax time next March."

The last comment relates to the final payment of tax due in March, and follows the statement that farm income across the total industry rose by 38 per cent over 1978-79. The change means that farmers will have higher tax payments this year, when the tax is based on the previous year's incomes.

Several developments have occurred since the report was written. They include a strong rise in wool prices, in line with the general movement in all commodity prices, lead by the spurt in precious metals, and higher demand for the product.

The announcement last week that New Zealand has finalised a deal to sell lamb to Iran (about one seventh of the total export production) may boost that section of the industry.

In regard to wool prices, the report says:

"Wool prices are expected to remain buoyant and improve during the first half of the 1979-80 season, but a steep decline in prices is anticipated early in 1980 as higher oil prices, international inflation, weakening economic activity, reduced rates of economic growth and reduced consumer incomes take effect in the main wool consuming countries."

The ministry says against this, will be the effects of the recent devaluation of the New Zealand dollar and the new exchange rate policy announced in the 1979 Budget. It forecasts an average wool auction price of 250 cents a kilo in 1979-80, or 14 per cent higher than the average last season.

Referring to the outlook for lamb (again written before last week's announcement), the ministry says shipments of lamb to the United Kingdom are expected to be lower than 1978-79 "due to improved prospects for lamb sales to the Middle East and North America". Sales to the former region certainly "improved" after the Iran deal. Prospects for lamb are better than appeared to be the case when the argument over the EEC sheepmeats regime gained heat.

The report carries a mild warning about prospects for kiwifruit. "There are some problems to be overcome in the industry, the greatest of these being a need for strict quality control of export fruit.

"Also with the rapid increase in production in New Zealand, and the beginnings of production in some overseas countries, an adjustment to selling kiwifruit in greater volume must be made. There has been some resistance to high prices this season by importers.

"This is due to the comparatively lower prices of other types of soft fruits on the markets, in some cases kiwifruit of a lower quality than is usual, and a large amount of fruit on the market in May (due to the lack of cool storage facilities in New Zealand)."

The ministry considers the price may not reach last season's $6.80 a tray fob export farmgate price, and "at this stage it seems unlikely to reach $8 a tray which was forecast for this season".

Total exports of kiwifruit are expected to reach 3.75 million trays, compared with 1.5 million trays last year. Total production for the 1979 season is estimated at 17,000 tonnes, of which about 13,000 tonnes were exported. The 1980 crop is expected to be much greater than the current year.

The outlook for pipfruit is better. There are "good prospects" for pears and apple varieties on export markets. The report says the European apple crop for 1979 is estimated at 8.4 million tonnes compared with a record 1978 crop of 6.925 million tonnes.

The price rise for fertiliser might cut September fertiliser sales about 25 per cent below the same month in 1978 following a 37 per cent decrease in August. The ministry suggests this may show that farmers are adjusting usage downwards as a result of the price increase.

Reports last week indicate that fertiliser application this year is well below the levels reached in 1978, creating the rather paradoxical situation that lower fertiliser sales and applications are resulting in fuel savings as the topdressing aircraft either stay on the ground or have reduced time in the air.

The changed policy on fertiliser appears a practical application of the theory that subsidies, grants etc should be related to production output rather than the cost of inputs.

That philosophy is also seen in minimum price support schemes, as opposed to subsidies, although the latter still exist in various forms.

Analysing annual accounts

by Peter V O'Brien

THE growing success of Montana Wines Ltd, the country's largest winemaker, is showing up in the company's financial structure.

The 1979 annual report records substantial changes to balance sheet items, following a 40 per cent increase in net profit, after taking account of extraordinary items arising from movements in the relationship of the New Zealand dollar to overseas currencies.

The company had no tax liability, which improved the returns. It expects net profit this financial year to be in line with that of 1978-79, after allowance for "some tax liability".

The profit improvement was struck on sales which went up only 12 per cent. The relationship between sales and profit suggests that Montana is obtaining the benefits of higher production from expansive facilities which were designed for wine output above that available when the development programme began some years ago.

A breakdown of "disposition of dollar sales income" indicates the trend in the business.

	1979 (cents)	1978 (cents)
Materials and other manufacturing costs	40.5	48.2
Operating costs	15.2	10.5
Salaries and wages	14.8	14.7
Depreciation and interest	7.4	9.9
Proposed dividend	4.8	3.3
Retained earnings	17.3	13.7
	100.0	100.0

The effects of higher wine volume in the area of wages and salaries, for example, is shown in the following passage from the chairman's review:

"The warehouse has efficiently handled these pressures (fluctuating demand) and maintained controllable costs at a satisfactory level. For example, the total warehouse staff level is the same as three years ago when the company was selling less than half the volume of wine" (NBR emphasis).

The statement is a good example of scale economies which eventually flow from the construction of facilities to deal with growing production volume. It confirms the views expressed over the years that Montana would "come right" when output matched the heavy expenses incurred in those facilities, including depreciation charges.

A deterioration in group working capital shows up in the balance sheet. This might offend purists who are accustomed to treating the working capital concept with outdated rigidity. The decrease was just over $1 million, but has to be considered in relation to other movements in balance sheet items.

Montana repaid US$1 million of overseas loans, and reduced other term liabilities by an additional $500,000. The removal of $450,000 in cash deposits, and the introduction of $800,000 as a secured short-term advance offset those repayments (and an increase in fixed asset investment) leading to the working capital alteration. There is still a solid surplus of current assets over current liabilities.

A small movement (from $5.5 million to $5.9 million) in stocks probably reflects growing demand for the company's products, as does a rise of 50 per cent in debtors.

At balance date stock was 28 per cent of total assets, compared with 27.8 per cent in the previous year, and the value of "bottled" (as opposed to "maturing") wine on hand was static, in spite of rising costs.

A substantial profit improvement, plus other financial adjustments, left the company with a proprietorship ratio (shareholders funds to total assets) of 82.1 per cent, as against 57.3 per cent in 1978. That is a strong and comfortable relationship, which should improve as the group produces, and sells, more wine from its well-developed vineyards and plant.

Fixed assets now account for 62 per cent of the total balance sheet, compared with 60 per cent in the previous year.

Montana's ability to fund its ongoing activities when it pays tax is seen in the cash flow analysis. Excluding extraordinary items, cash flow was 17.2 per cent of total assets (which are realistically valued).

The figure was 12.4 per cent in 1978.

A tax liability will eat into that percentage.

The present figure is high enough to allow maintenance of a cash flow sufficient to avoid any problems, unless the wine market takes an unlikely dive.

Shareholders are benefiting from a return of 24.7 per cent on year-end shareholders funds. The figure was 18.1 per cent in 1978.

Net asset backing rose from 95 cents to $1.17 for each 50 cents share.

Montana makes no provision for inflation accounting in its report, which is unfortunate, because changes to stock values and monetary items would probably have a significant impact on group finances.

Stock is recorded at cost or realisable value, whichever is the lower, on the "first in, first out" basis.

References to cost increases in the chairman's review suggest that inflation adjusted accounts would alter stock values materially, although monetary items would offset those changes. (Term liabilities, for example, are still 23 per cent of total assets, although they were 34 per cent in the previous year).

In view of the group's present position, and the growing market for its products, a share price of less than 5 times 1979 earnings may be low. The market is probably taking a cautious view of this year's tax liability.

Exchange Rates

As at October 11, 1979 $1NZ is worth:

Australia	.8818	Netherlands	1.9352
Britain	.4553	New Caledonia & Tahiti	74.70
Canada	1.1607	Norway	4.8402
Fiji	.8213	Pakistan	9.5647
Japan	221.87	Papua-New Guinea	On App
West Germany	1.7421	Portugal	48.82
USA	.9875	Singapore	2.1164
Austria	12.81	South Africa	.8099
Belgium	28.22	Spain	64.80
China	1.4814	Sri Lanka	On App
Denmark	5.0922	Sweden	4.0998
France	4.0939	Switzerland	1.5756
Greece	38.27	Western Samoa	.8853
Hong Kong	4.8893		
India	8.0181		
Italy	808.82		
Malaysia	2.1119		

Selling rates supplied by CBA Bank.

Key Indicators

		Current Period	Previous Year	Per Cent change
Consumers Price Index — all groups base Dec 1977 — 1000	JUNE 1979 Qtr	1177	1047	11.0
Building Permits Issued	JUNE 1979	$82.3m	$81.7m	.73
Official Overseas Reserves	JUNE 1979 yr	$1141.8m	$1119.0m	2.0
Registered Unemployed — incl. those on special work schemes	JULY 1979	$918.3m	$931.0m	—1.0
NZSE Share Price Index	SEPT 1979	50,652	49,933	1.4
Reserve Bank Share Price Index	OCT 11, 1979	368.97	326.35	18.44
	OCT 10, 1979	1575	1366	15.3

Asian export market boosts Pye profitability

by Peter V O'Brien

PYE Electronica' half-yaar report may havo surprised sections of the sharemarkat, but there has besn ateady interest in the company'a shares in recent months.

The share price moved from a tow of 85 cents earlier this year to $1.10 last week. The tatter price was reached after announcemant of a substantial profit gain for the firat alx months.

A price increaae of 29.4 per cent is lower than many other shares have enjoyed this year in the market'a improvemant, but tt represents a *sizeable* movament whon related to tha 44 per cent profit fall (on historical cost basis) in the year ended December, 1978.

The 1978 result was a declins of 53.6 per cent on tha basta of the group's tnflation adjusted profit figures.

Pye said lost week that *historical cost net* profit *for* the six months to June waa $790,900, adjusting to $662,100 after allowance for Inflation accounting. The 1978 full year'a figures were *respectively* $925,803 and $577,911.

The company therefore earned in the first half of this year close to the full year'a *profit in 1978, on* historical cost, and more than the outturn under Inflation accounting procedures.

The Interim dividend is raised from 3 cents a ahare (8 per cent) to 3.5 cents (7 per cent). Laat year the total dividend was 0.5 cents (13 par cent) so it appears that the 1978 payout will be at least 14 per cent, and possibly higher depending on tha results of tha six months to Decamber.

This interim report contalns a comment which is relevant to tho share price.

The company will seek approval to make distributlons from the share premium account, which will increase the amount available aa "tax free" dividends, thua extending tha capacity to make auch payments in future. Last year the final dividend waa paid from capitsl reserves, raiaing the affective yield to shareholdera.

A key to tha improvement this year waa given in the annual report, under the heading "exports".

"There waa a dramatic increase *in export sales in 1978*. Our market penetration tn our established markets of Hong Kong and Singapore improved aubstantially and our entry into *Malaysia during the latter part* of the year will show a similar trend. Since balance date the company has orders from these areae which are mora than *doubla those* received *in 1978*" (NBR emphasis).

Later the report said, in relation to its pravious assessment of growth *limitations in the New Zealand* market for consumer alectronics:

"A decision was made to pursue actively export outlets *in* tha *Asian-Pacific regions*. Apart from the excallent market penetration now being achieved tha company is finalising a technical *agreement for* tha *production* of our CTV receivers tn the People'a Republic of China".

New Zealandera may find it hard to believe that a local *company* can *sell television* aets and other elsctronic products ovaraeas, particularly in Asia, given the compstition from traditional manufacturera, *but it* is happening, and provides Pye with financial benefits. (It should also be noted that the annual report referred to the production of a micro-processor which is "also commited for sxport to an Australian manufacturer".)

TV sets are classified undsr "Band B" of the new export tncentive schedule. Their export corries a 10.5 per cant rate of incentive. The incentive should give Pya substantial taxation concessions, assuming that the oversesa markets are maintained, and volume penetration increased.

The shift to export reflects the slow growth of the local electronica business, both consumer and Industrial. In the latter area the industry ia affected by the comparativaly low level of capital investment in recent yeara. Induatrial electronics also involves a high level of "one-off" apecialised equipment, which Pye suspended laat year.

It is dangerous to make projections of profitability in an electronics company, due to the fluctuating nature of the business.

But a conservative assessment of Pye'a likaly result for the year, ended December, suggests that, on an historical cost basia, the company ahould move slightly ahead of 1877'a $1,855,418, perhaps to the $1.7 million level.

Inflation adjusted profit la harder to calculate, because of particular price changes applicable to the industry, but it la also likely to be in the region of 1977's $1,243,447, or up to $1.3 milllon.

For the purposa of comparison with other investments, it is appropriate to use historical coat profit. That figura is the common element between various companies, in the absence of nationwide inflation adjusted accounting.

Net profit of $1.7 million would give an earning rate of 28.5 centa on the 50 cents shares. At last week'a share price of $1.10, that produces a projected price-earnings multiple of 4.15, not a particularly high figure.

Assuming a dividend payment of 7 cents a share (14 per cent) there would be a cover of 3.78, compared with 2.2 on 1978's 8.5 centa.

At $1.10 a 14 per cent divided yields 8.36 per cent, while 11 per cent had a yield of 5.9 per cent.

These assessments have been conservative, so there might be a better peformance from the group in the full year.

NOTE: The writer neither owns, nor has a beneficial interest in, Pye shares, but there is an occasional professional relationship with the company.

Trusts serve up a mixed brew

by Peter V O'Brien

THE country'a liquor licensing trusts improved their performance in 1978-79, although there were considerable variations between regional trusts.

The teble sets out sales, net profit for tha year, and the percentage return on sales for 13 trusts. Tha Mount Albert trust ia excluded, because that organisation haa yet to open a liquor facility. The annual report of the Oamaru Licensing trust was unavailable.

Profit figures for 1978 are included for comparative purposes.

Trust	Sales 1676	net profit 1676	Per cent to sales	Profit 1978
Birkenhead	2,388,176	22,961	0.98	14,281
Portage	7,980,816	230,027	2.88	221,855
Wattakere	4,797,826	210,176	4.38	161,930
Masterton	4,979,522	228,585	4.55	206,189
Portrus	6,473,832	282,298	4.36	214,311
Johnsonville	6,113,306	109,753	1.79	9997
Tarawhiti	731,674	25,537	3.46	20,117
Wellington South	591,835	43,878	7.41	(10,697)
Ashburton	3,416,422	166,885	5.47	158,712
Geraldine	648,848	27,035	4.16	11,511
Clutha	3,434,702	74,971	2.16	40,231
Mataura	4,201,238	267,828	7.06	110,521
Invercargill	11,785,717	158,004	1.34	382,582
Total	57,538,818	1,665,941	3.26	1,542,673
		+22.6 per cent on 1676	1678 profit to sales equals 3.9 per cent.	

Several mattera have to be considered when examining the table. There la a different business "mix" between trusta.

For example, the old establiahed Maaterton and Invercargill truats obtain a aubstantial amount of revenue from accommodation hotels, an activity which traditionally provides a lower rsturn thao liquor aales. Others (Terawhiti and South Wallington in the Wallington region for example) have neither accommodation nor taverns at pressnt. Their revenue comes from bottle shops in the various city suburbs, within their geographical boundaries.

A third group runs taverna and bottle stores, but provides no accommodation. The relationship of their profit to eales differs from the other trusts.

The annual reports of the trusta point out that sales increases over ths preceding year can be misleading. The consumption of beer in particular fell in the year undsr review, a matter referred to in the reports of the main brewery companies, Lion and Dominion.

Price rises offset the revenue fall which could be expected from lower volume sales, but in real terms the organisations were under some pressure as rising costs cut into margins.

The Invsrcargill trust was hardest hit. The annual report says that turnovar was the highest yet recorded, but "it doea not reflect the true position as actual sales of liquor and accommodation have declined".

The trustees say the accommodation industry in the raglon continues to be depressed and "there ara no great prospects of an immediate increase in the number of overseas visitors to assist in this area".

Invercargill also had a "one off" profit problem. Tha trust is engaged in three capital investment projects, which involved expenditure of about $2.2 million. Consequently, "depreciation, repairs and maintenance are at an extremely high level".

At the other end of the country, the Birkenhead trust reports that 1978-79 was "a most difficult year".

The trust had a profit rise from $14,283 to $22,961, but the return on sales is the lowest of the 13 truats included in the table. The trust's profit and loss account shows that the item "food and room hire" took a sizeable downturn.

The gross profit on sales of those items fell from $14,962 in 1978 to $2952 last year, with the cost of sales moving from 42.5 per cent of revsnus to 50.3 per cent.

The best performance came from Motaura, excluding the peculiar situation in Wellington South which trades only in bottle shops.

The Mataura Licensing Trust covers a region in Southland where, according to the sales figures in the table, the populace manages to purchase a dollar amount of liquor, and accommodation apparently out of proportion to other trusts. This probably relates to the competing outlets in more densely populated regions.

In Auckland, for example, a trust may cover a defined geographical area, but other facilities are close at hand - just "across the border". In Southland you travel a long way to find outlets which are not trust controlled, and the trusts cover a larger area.

Although the trusts are generally thought to be a local alternative to private enterprise control, there is a working relationship with the major brewing groups.

And, relative to their success and the necessity to invest in facilities for the public, the trusts, particularly the established organisations have contributed to their communities. The main contributors have been the Masterton, Ashburton, Mataura and Invercargill trusts.

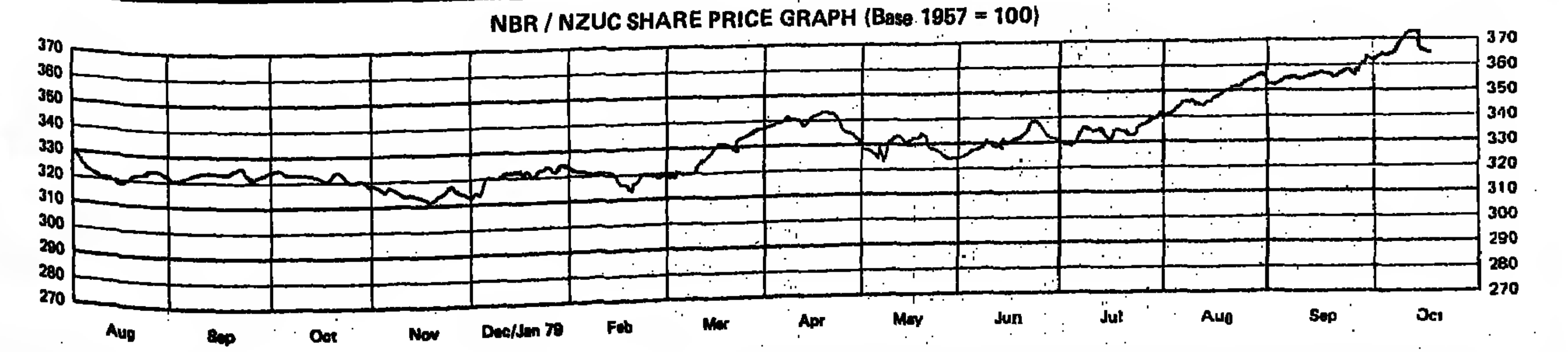
NBR SHAREMARKET SURVEY

WEEK ENDING OCTOBER 11, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Record CPI rise advances economic miracle

THE economic miracle advanced another step with the anneuncement on Sunday of e 5.0 per ceet increase in tbe Consumer Price Index for the September querter following e rise ef 4.5 per cent in the three months to June.

The querterly movement is the higbest recorded this deeade, and probably for many more years. It resulted in a price inflation rate of 15.2 per cent for tbe year te September, compered with 12.4 per cent in the June year end 10.4 per cent for tbe 12 months to Msrch.

Tobecco and elcohel contributed the largest proportion of the overell increase, in lie with higber prices announced in tbe Budget. Thet sub-group wes responsible for 26.5 per cent of the totel 5.0 per cent change between June and September.

Private transport contributed 15.4 per ceot of tbe total, reflecting the rise in fuel prices. Fuel and tight ceme next with 13.5 per eent, but the sub-group wae 24.3 per cent ebove the tevel ef June, producing the largest single movament over the three monthe.

Food prices In September were 18.5 per cent ebove tbose of the same month In 1978, and 1.1 per cent higher than the figure recorded for August.

The Gevernment Stotlstician records 18 items es the "main indlvidual items" contributing to the 5.0 per cent increase in the index. They range from beef through dwelling rantals to colour television end caravees. Tba usual ministerial explaeetions fail to disguise the fact that prices rose across the board.

The current quarter will see a contribution from increases in telephone charges, soma flow os effects from movements in the epecific items recorded in the September quarter figures, and meat.

Beer blamed for traffic deaths

by Warren Berryman

WHEN it comes to panegyrics in prsise of wine, Omar Khyaam would have found himself surrounded by kindred intellects at a recent Wine Institute luncheon.

Gathered to vaunt the virtues of vino were learned doctors who spoke of wine's help to appetite and digestion.

Wine, it was pointed out, is a sedativa, from indigenoua sourcee, far better than imported drugs. And wina, apart from its aesthetic qualities, civilised man by easiog social intercourse.

Bear, the booze barns, and the Kiwi jug syndroma took a hiding from tha wine buffs.

Dr Morgan Fahey, a specielist in eccident medicine, laid the blama for alcohol-related traffic deaths squarely at the door of booze barns and the New Zealand ethos that equated masculinity with copious jug drinking.

"I heve found that in 80 per cent of tha sarious accidents I attend as an accident doctor, alcohol is involved to a significant dagrae. I have never yat attanded a serious road accidant causad by people who have been drinking wine accompanied by food," he said.

"As a police surgeon I have had the equally unpleasant task of dealing with hundrede of drunken youths, usually in the 19 to 24 age group who hava been detected by traffic or police officers. I can recall no more than 10 such youths who had been drinking wina without the conaumption of food. The great majority of tha drivers who cause sarious road accidents have been drinking beer with a mean consumption of more than three jugs."

Fahey favoured a mora civilised drinking environment in which alcohol could be taken with food.

Liquor industry spokeamen, he said, juatify the existence of booze barns by saying it is what New Zealanders want.

"I put it to you that it is nol what they want it is what they have bean given," Fahey said.

Ha attacked our liquor licensing iowe — particularly those previously set for licensed restaurants.

"The farcical requiremants imposed on restaurataura before a wine licence could be granted such as the compulsory use of a table cloth, tha compulsory avoilability of a set number of New Zealand dishes, the compulsory carpet on the floor — these requirements and mony othars were an embarrossment to this country end wera a laughing point for overseaa visitors who had experience of civilised dining.

"To them a country that would permit the scrving of a greasy pie in an overcrowded bar but would deny the right of a good restaurateur to serve wine with quality food, such a country was immature."

Fahey granted that we have come a long wey but not far enough.

Wine Institute chairman George Mazuran spoke in defence of wine against the tax man.

It was "time we reminded the community that it cannot continue regarding liquor as a goose which is kept only to lay a golden egg everytime the public puree needs more revenue," he said.

The laet etraw, said Mazuran, wae the suggeslion from a Government committee investigating the link between liquor and accommodation that all liquor be levied 1 per cent at source to meet the cost of extro accommodation.

That suggestion, Mazuran said, was contrary to Government's stated user poy principal.

Professor D W Beaven spoke of wine as "thot 100 per cent New Zealond-made tranquilliser" versus $8 million worth of imported chemicals with possible side effects.

Visiting wine expert, Dr Maynard Amerine praised soma local wince and with assembled journoliste sompled six locol products.

Three whites and three reds wero judiciously held to the light, sniffed, toeted, chewed, and swirled obout tho taste buds with much to-do [illegible] smacking.

When the wines had [illegible] judged and marked, [illegible] were given for [illegible] marked tha closest [illegible] Amerine's.

To the chagrin of the [illegible] buffs a case of wine went [illegible] journalist who had been [illegible] knocking back his six [illegible] one after tha other without [illegible] of the outward signs [illegible] connoisseur's apprecia[illegible]

Police track million dollar forgery case

A MILLION dollar [illegible] being toveetigated [illegible] Palmerston North [illegible]

One transport [illegible] hes slready been [illegible] provisional liquidation [illegible] directors as e result [illegible] police inquiries [illegible] prominent city [illegible] man has beeo remanded [illegible] sppear again [illegible] Magistretes Court [illegible] October 29.

The full extent of [illegible] alleged fraud is not yet [illegible] as ell affected parties [illegible] have to make their [illegible] known. But economic [illegible] estimates taken from [illegible] informal meeting [illegible] Palmerston North last [illegible] add up to $1 million.

At least two other [illegible] sport and one [illegible] pany are understood [illegible] affected by the investigation.

The case first [illegible] following a [illegible] company's complaint [illegible] debenture over some [illegible] had been forged.

Further investigations resulted in the arrest [illegible] Palmerstoo North [illegible] whose name and [illegible] wero suppressed at a [illegible] preliminary hearing [illegible] Magistrates Court.

More charges are expected to be laid by the police [illegible] tho defendent reappears.

Dairy giant slips behind field on fat payouts

by John Draper

WHEN you are the biggest, it is difficult to outperform the industry averaga as tha New Zealand Co-operative Dairy Company's 4500 disgruntled suppliers ere discovering.

For yeare the Hamilton-based co-operative, producing a third of the country's dairy products, has effectively been the industry standard.

Now it ie being outstripped by 17 smeller co-operatives, including two competitive neighbours which are paying dairy fermers seven and eight cents a kilo mora for butter fat, —$1000 a year difference.

Already 80 suppliers have said the difference is too much. They are sending milk to the Cambridge and Morrinsville Dairy Companies.

Those etaying on have appointed a 26-man team to investigate why their company, paid out four cents a kilo below average laet season.

Whatever their findings — and there ie an outside chance they may recommand tha splitting up of the company into smaller units — newly appointed chairman Jim Graham aays the Dairy Board's syetem of paying for products must be changed.

"We cannot live with a system where a eupplier one side of a road ie getting paid seven cents a kilo more for milk fat than a eupplier on the other side," he eaid.

The payout eystem is complicated.

The Government, in consultation with the Dairy Board, sets e basic milk fat price, to which the board adds a manufacturing margin; depending on equipment used.

There is also a syetem of incantives for producing specielised producta end penalties for poor quality.

The present system was introduced, with the industry's support, by Labour Govarnment Agriculture Minister Colin Moyle.

Provision waa made then for apeciel payment on non-etandard products, at that time only a amall proportion of the total output.

Non-standard products now make up 80 par cent of the Dairy Board's orders as it chases specialised markets.

The result, Graham says, is a wide divergence in payout between the dairy co-operatives.

Lest season payouts ranged from 167 cents a kilo on butterfat to 206 cents a kilo, both paid by amall South Island co-operatives.

Three years ego only five cheese companies paid more than five per cent above average to thair suppliars.

A year later 11 companies did so. All but two were cheese producers.

In the last season, which ended earlier this year, 17 companiee exceeded the average payout by more than five per cent. Twelve were predominantly cheese makers and the other five — casein.

Graham claims the system discriminates against the dairy company with its wida range of products.

A smaller company producing 50 per cent whola milk powder getting a five per cent premium above the average milk fat price, is effectively getting a premium of 2.6 cants on each kilo of fat received, he says.

Where whola milk powder, cheese or cesein production is a smaller percentage of production, the premiums are effactively watered down emong ell suppliers, though total output might be higher.

Grahem saye a payment must be built into the system to take account of quantity.

"It is simply a matter of fine tuning," he said.

Despite having three of its own directors among the 13 around the Dairy Board's table, the company faces an uphill struggle to persuade the industry to accept the change.

The bettle will be with those benefiting from the present system, who Graham says are effectively being overpaid for what they produca.

"If the change cannot be accommodated, then the industry is really in a serious position," he said.

If the dairy company feils, it is likely to push for an effective national farm gate price for milk similar to what it operates itself for suppliers from Aucklend to Teupo.

The Dairy Board is basically opposed to such e system, because it is likely to encourage production in ereas where costs of proceseing and trensport costs for export might be high.

Graham says there is no reason why the dairy company should not perform above the industry averege.

"We ought to be able to achieve below industry average costs," he said.

"And our trensport efficiency hes been emongst the best in the industry."

Despite e wide ares, trensport costs were four cants below the industry averaga of 13 cents a kilo, though three cents up on the rival Cambridge Co-operative.

In an induatry in which throughout is crucial, the loss of suppliers is bound to hurt the dairy company, and in the current eeason highlight the differences between the three mein Waikato rivele.

Other districts effectively stop switching through a series of "gentlemen's agreements" not to accept enother company's dissetisfied suppliers.

The agreement has not held in the Waikato as the differences in peyout widen. Cembridge peid 190.27 cents a kilo, Morrinsvilla a cent less end the deiry company 182 cents.

One of the main causes of discontent has been the system of milk testing which apperently resulted in the smaller companies getting paid for higher percentage of milk fat.

Thst sore should heat thie year with a unified central milk tasting laboratory in action at Matamata.

Dairy company critics, including its suppliers, lay part of the blame on the co-operetive's conservative directors whom they say have been reluctant to speciellse in high paying products.

The company's low indehtedness, one of the lowest levels in the induatry, is reflected in the sophistication ef its fectories. And with today's rapidly changing technology tho latest equipment tends to be the most efficient, though also the moet expensive.

Inflation hea more than justified the decision of other companies to invest in new fectories which at the time might have been questionoble.

The dairy company's oparating area is also changing as more land in the northern Waikato is token out of dairying and used for horticulture end rece horse breeding.

In the ehort term, regionalisation may solve the company's problems, with euppliers getting paid according to what their local factory produces.

In the lenger term, Graham seys efficiency must be tightened end the Dairy Board persuaded to pay the company more for casein and cheese.

Unions report on technology

WHILST I was pleased to see you (NBR September 26) devoting significant space to the inter-union report on technology, I must say I am as equally disturbed by the quality of tha inferences drawn by your industrial reporter as he seems to be on the quality of the inter-union report itself.

NBR reports that "the whole document is clearly technically ill-informed". In responding to this first criticism the working party report makes it perfectly clear at the beginning that at no point was there an intention to produce an exhaustive analysis of the so-called micro-electronic revolution, but rather confined itself to a brief summary of the major issues (and potential issues) involved.

Equally clearly stated in the report is that the report was constituted in order to study the effects of technology rather than on attempts to describe its technical base, the methods by which it is produced or the detailed composition of the various types of new technology. In the case of silicons chips for example, the greatest importance to union members are possible effects chip-based equipment may have on jobs, rather than to show how chips are made or why they are made from silicone.

Further on this point, it takes very little technical expertise to look at a machine which sits on the customer's side of a bank counter and performs all the duties that the teller next door performs and conclude that tellers' jobs are at risk.

The NBR review goes on to say that the working party report adds to the already existing confusion on the subject, and includes "estimates, assumptions and plain guesses".

Once again you take a quote out of context. In the introductory section of the report, the working party makes no secret of the fact that the general lack of information in New Zealand restricted the report somewhat. And then goes on to raise one of the most important issues to come out of the report (one which NBR fails to devote more than one line to) and that is the problem that employers are "not too keen" to inform unions on what technology they have introduced, or plan to introduce.

LETTERS

The right of unions to be involved in investment decisions involving new technology is a fundamental issue raised by the report which needs to be stressed. This was in fact confirmed by an inter-union conference on September 21, which, amongst other things, insisted "on the right to full information on employers' intentions and options prior to any decisions being made to introduce or advocate the introduction of new technology".

In the meantime, any claims made by unions about the job reducing capacity of various new systems can always be denied by employers and if in fact such denials are made in good faith, then they should have no qualms about confiding in unions on what they plan to introduce and when.

This in turn leads on to one point which has been picked up correctly. The working party was in no doubt that "new technology, in all its forms, erodes jobs and does not replace them".

It was noted with interest that Mr Bolger, on his recent return from Paris, made it quite clear that the soon to be published OECD report will demonstrate that a net loss of jobs will occur.

In that, the working party's and OECD's view differs from that of the employers, their solution is really very simple.

Again, all employers need to do if they are acting in good faith in stating that new jobs will be created to off-set those lost, is to sit down at the negotiating table and tell unions just what new machinery is planned and what the staffing implications are.

If a net gain in jobs is the result, then where is the problem? Unfortunately to date, disclosure of such information has not been forthcoming, and the source of the apparent net gains in jobs is still a mystery.

This brings me to my final point which is perhaps the most important. Your article correctly raises one very important point. That is, "will failure to exploit new technology lead to reduced competitiveness in the international market and hence stifle growth prospects?"— implying thereby that technology will promote economic growth and hence employment.

It is a commonly held assertion that the higher the economic growth, the more employment is available. However, if one sits down and works through such an assumption certain contradictions emerge.

One important point that is missed is that high growth rates with higher productivity can in fact result in a worsening in the unemployment. There can be no doubt that new information technology is aimed at increasing productivity. The potential of the new technology is such that it will actually reduce the demand for labour if applied without any other considerations than the desire to increase productivity.

In speaking about growth and the national interest, the fundamental issue raised is this relationship between output growth and productivity.

A high level of profitable investment will only reduce unemployment if that investment is sufficiently labour intensive to generate new jobs on a scale greater than the combined effects of a steady displacement of labour through technology elsewhere in the economy plus the annual growth in the labour force.

New investment is not, nor will it be, labour intensive. With labour constituting a significant cost factor in all sectors, new investment has one aim and one aim only. To reduce the labour content of total costs.

Further, an increasing share of investment is not in new products or services, (which may or may not have the capacity to increase employment), but in new processes and systems which often decrease employment opportunities.

To the extent such investment ventures are successful, they will further speed up the rate at which technology displaces labour.

Sure, there may be benefits on the national scene through higher GDP; stronger BOP position; high productivity; higher returns for shareholders, but the cost will come at the workplace. The potential widening of the income gap is a problem which needs to be attacked now by redistributing the resulting income and wealth which must result.

Wayne Stechman
Research Officer
NZ Bank Officers Union.

OUR correspondent recognised that the report did not aim to exhibit a knowledge of computer technology; but argues it was necessary to possess such knowledge to accurately predict the affects of the technology.

Mr Stechman provides an example. It takes no technical knowledge to make the deduction outlined. But the knowledge would be helpful in determining the truth of the initial assumption — that an automatic teller can perform all the duties of a human teller.

Our correspondent maintains that such a statement is an exaggeration: [...] exaggerated premise, exaggerated conclusion inevitable.

Similarly, from a [...] supported by [...] statistics, one can deduce an uncertain conclusion.

We are grateful to Mr [...] man for his comment [...] economic growth and [...] ployment. We wish [...] had gone into such detail.

We note that he is prepared only to say "high growth rates with [...] productivity can result [...] worsening in the [...] ployment". — Editor.

Rent covers repayment

I WOULD like to draw [...] attention to a discrepancy [...] your article re tax [...] Page 33 (NBR August [...] 1979).

The form of payment [...] a lease agreement [...] read: for the next [...] monthly lease payment [...] $239.00 will be made [...] for the remaining 21 [...] the 36 month period [...] company need make [...] ther repayments since [...] are already covered by [...] advance rentals.

No doubt my letter will [...] one of many.

A M[...]
Advances Offic[...]
[...]

Muldoon takes up economic journalism

Economics Correspondent

THE Prime Minister has not been happy with what journalists have to say about the state of the New Zealand economy. So it should not be the least surprising that he should become an economic journalist himself in one of the world's best newspapers, the Christian Science Monitor.

Rob Muldoon's article in the October 1, 1979 issue of the newspaper centres on his assertion that "New Zealand has spent the last three years laying the foundation for sustainable economic growth".

"The elements of the strategy have been introduced over the last three years and in the Budget this year the Government set out the complete package. This integrated strategy is based on the philosophy that development must be a co-operative effort between Government and the business sector."

But this co-operation may not suit many local businessmen. The Government, according to Muldoon, has the onerous task of "setting the ground rules". For example, the Government decides what interest rate to charge on Government savings stock, the acceptable rate of wage increase and the nature of export incentives.

LEN BAYLISS...shows up swings

"The ultimate responsibility for growth" states journalist Muldoon, "rests on a competitive business sector".

What a perfect alibi the Prime Minister has given himself. If the New Zealand economy does not grow, the rest of the world will be convinced it is because the business sector did not take their responsibility seriously.

Of course, the Prime Minister is sharp enough not to let the rest of the world off the hook too easily. You can almost hear him sigh as he writes: "I wish the rest of the developed world would practice free trade in agricultural products with as much enthusiasm as they preach its virtues for other products. Not only would they benefit from access to excellent products at better prices, but New Zealand would have fewer problems."


THE ECONOMY

The balance of payments deficit would not be so large, for example.

In the end, Muldoon argues that "the only real option for a country like New Zealand, which has been so adversely affected by changes in its terms of trade, is to increase its capacity to export".

For this, New Zealand needs to develop a wider range of internationally competitive industries. And here our ever quick Prime Minister shows his ability to never let a good opportunity pass by for promoting his policies.

"Many of these new developments, especially those involving energy resources, will require skills and capital that are not available in New Zealand. The Government welcomes foreign investment that brings these contributions to the country's growth."

It would be interesting to know whether the Christian Science Monitor paid our Prime Minister for his contribution to their paper or charged him for advertising.

While the Prime Minister has predictably described his Government's policies in glowing terms, the Monitor attempts to balance his view. Included in its special 12-page pull out section on New Zealand is an article by David Francis which discusses the views of some local economists.

Francis quotes Len Bayliss, chief economist of the Bank of New Zealand who complains: "Government economic management as measured by fiscal and monetary changes over the last six or seven years has been deplorable."

Bayliss cites figures showing enormous swings in the size of the Government's budget deficit and growth rates in the money supply. He asserts that "not even the strongest economy could have functioned effectively within these massive short-term fiscal and monetary fluctuations — a clear demonstration of bad economic management reaching its nadir in election years".

And Francis also gives the Monitor's international readers a taste of what the Prime Minister means when he says the Government sets the ground rules for economic development.

He quotes a recent speech by Hugh Templeton, Deputy Minister of Finance: "Over the last year the Government has unashamedly followed a policy of fine-tuning the economy in order to walk the narrow line between the dangers of unemployment on the one hand and hyperinflation on the other."

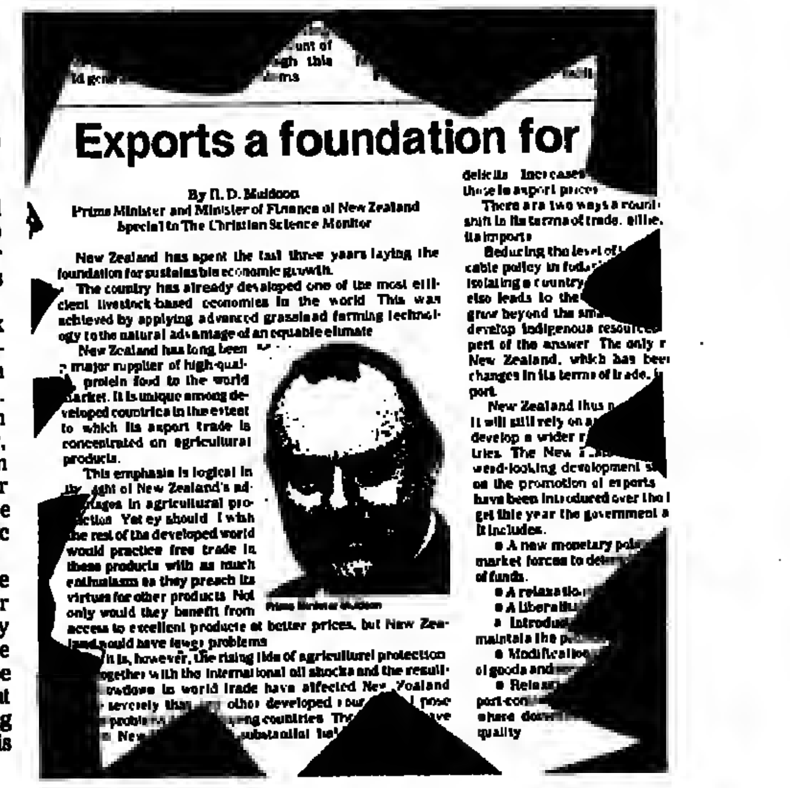
Francis points out that "Government economic management in New Zealand extends far beyond "macroeconomic" policy into the details of industrial affairs" though "the Government has moved modestly to decontrol the economy".

In concluding, Francis gives Kiwi initiative a deserved pat on the back. He says: "Already New Zealanders have accepted the challenge of diversifying their exports and are roaming the world in search of new markets with considerable success".

But Francis also gives a subtle warning to international investors who may wish to take up Muldoon's offer for them to help in this country's future development.

While the short-term outlook is for slow growth plus inflation, the medium-term economic outlook is good. "New Zealand could return before long to a healthier, more prosperous economy" in Francis view with one major qualification. There must be "more stable economic policies".

That qualification puts the responsibility for further economic development firmly in the hands of our Prime Minister. Hopefully he will be able to take some time out from travelling and writing newspaper articles to take this responsibility seriously.


Exports a foundation for
By R. D. Muldoon
Prime Minister and Minister of Finance of New Zealand
Special to The Christian Science Monitor

"Obviously been too long in the making. What was obscene enough when you started isn't obscene enough now."

Manufacturers take positive approach to lin

by Colin James

AS officials on both sides of the Tasman prepare briefs for their Governments on closer trade ties, evidence has come of a more receptive attitude to change among manufacturers.

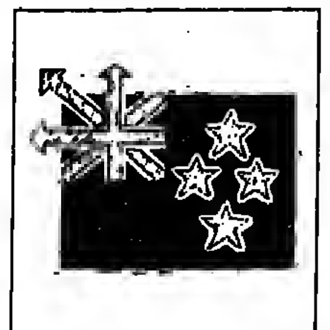
A "joint discussion paper" prepared by manufacturers' organisations on both sides of the Tasman for a meeting of Australian and New Zealand manufacturers this week takes a broadly positive approach.

The paper implies acceptance that the days of concentration on import substitution are past — a realistic attitude given the Budget's telegraphing of the same message.

It also accepts that cozy arrangements designed to prop up industries in both countries by ensuring them a wider market are not enough. Future development of trans-Tasman trade arrangements must be aimed at improving the overall efficiency of Australian and New Zealand manufacturing.

It thus opens up a number of questions that would have been unthinkable, for New Zealand manufacturers at least, even a year ago.

A month ago, in an official



OVERSEAS TRADE

statement, the New Zealand Manufacturers Federation, somewhat defensively, argued for alterations to the New Zealand Free Trade Agreement (Nafta).

The joint discussion paper also concentrates on Nafta, and gives little attention to other options for freer trade open to the Governments.

But it goes further than the official statement, introducing an element of compulsion to inject life into schedule A — the list of items with free or nearly free access between the Tasman partners.

So far, schedule A has mainly served to enhance complementarity between the two countries, rather than helped rationalisation between competitive industries.

If schedule A is to be used in the latter way, it will entail other substantial changes — at least, so a reading of the discussion paper suggests.

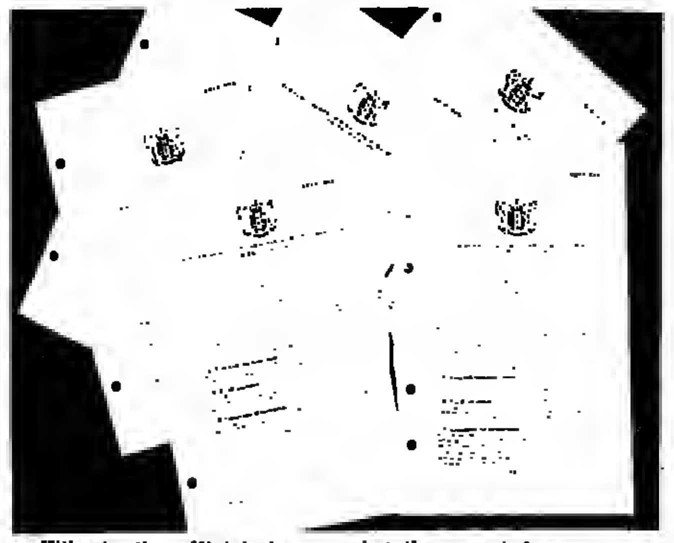
These could be far-reaching, entailing elements of a customs union and common market.

In addition, the paper raises the problem of the effect on third countries of any closer arrangement. Nafta has resulted in diversion of imports away from third countries towards the two partners and any further such development would be viewed with hostility by both the Asean nations in South-east Asia and by the small Pacific countries.

But the paper is less a provider of answers than a raiser of questions. Neither the paper, nor the meeting this week, are the appropriate place for answers.

They will eventually have to come from the politicians.

Officials on both sides of the Tasman have been working on briefs for a meeting of permanent heads of key departments of both countries on November 1 and 2.



Hitherto the officials have been working to a very wide mandate, encouraged to think imaginatively. The permanent heads meeting will begin the process of narrowing down the areas for discussion for a prime ministerial meeting early next year.

They will be seeking areas where the two groups of officials — so far working separately from each other — have thrown up common threads as to where the two countries are heading and what they want from a new trading relationship.

From there the study will go back to the lesser officials to flesh out the areas where commonality has been identified. And an indication will be sought from ministers as to what is politically on.

Such an indication may prove elusive. Among the questions that arise out of the joint discussion paper are:

● Will industries shifted to schedule A be guaranteed comparable input cost structures? For example, would New Zealand have to use expensive Australian steel and plastics, as Australian manufacturers have to, instead of buying cheapest on the international markets? And what would be done about the difference in wages?

● Will such ... treated similarly by ... Governments ... economic policies, ... corporate tax and ... centives — both ... of contention?

● Will there need ... harmonisation of ... products from third ... when those products ... schedule A between ... and New Zealand?

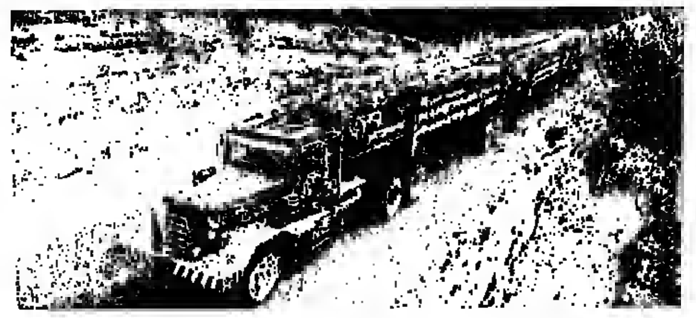
There is another ... question that the ... paper does not touch ... which is the subject of ... concern to the New Zealand side.

It is the assessment ... real advantages to be ... from better opportun... Australia for New Zealand agricultural products ... thoughts in some ... suggest these might ... rosy as they were ... to be. This has ... implications for New Zealand manufacturing.

If Australians ... concessions on agricul... is logical they ... corresponding ... from New Zealand manufacturing.

Accurately assessing ... agricultural benefit ... becomes a crucially im... exercise.

Beyond that, the ... will probably depend ... degree to which the ... countries can devel... common industrial de... ment strategy. Without ... realistic movement is ...



Compulsory action key to freer trade growth

by Colin James

THE New Zealand Australia Free Trade Agreement (Nafta) could form the basis of a revitalised trans-Tasman trading relationship — if an element of compulsion was introduced.

This is one message of the joint discussion paper prepared for a meeting of Australian and New Zealand manufacturers this week.

But the paper raises wider issues, implying more than a simple change to Nafta.

The paper lists a number of benefits that have already occurred under Nafta:

● the opportunity for both countries to use the other as a test market for exporting,

● the expansion of some industries directly through Nafta, such as forestry, whiteware and carpets ,

● the development of a forum for dialogue between the two countries and the opportunity to join forces in international trade issues.

In two instances, New Zealand was protected from the full force of restrictive import measures adopted by Australia.

But the paper adds that Nafta has fostered "trade diversion" — that is, it has tended to displace imports from other countries with imports from the Nafta partner (even though the other country may be able to supply the items more cheaply).

Trade creation has occurred under schedule A, but this has been limited.

The paper argues that the benefits of customs union occur when the economies of the partners are very competitive, with overlapping patterns of production, which encourages specialisation.

"Conversely, when the economies are complementary, the opportunities for new trade are limited because the economies are already specialised with respect to each other."

Trade creation, the paper argues, is more likely when there are more members of the union. The more members there are, the greater is the likelihood that the cheapest producer of an item will be found in it.

Thus, it warns, development of a two-country trading bloc "may not necessarily be consistent with greater economic efficiency for the region as a whole."

As it is, the paper says, the "main thrust (of Nafta) has been to the development of trade in complementary areas at the expense of third countries."

But, since the remaining opportunities for trade integration between the two countries lie in the areas where the economies are competitive, integration offers opportunities for significant growth as a result of increased efficiency.

Other potential benefits:

● More efficient allocation of resources and economies of scale,

● Freer movement of labour and capital, enabling greater specialisation.

● Less duplication of idle resources.

● More competition — more aggressive selling, more searching for markets and more innovation.

● Investment stimulus, particularly from foreign sources.

● Rationalisation of enterprises (in New Zealand's case, with less attendant problems of monopolisation, since the overall market would be larger).

● Export opportunities in the service sector.

Greater stability and thus confidence in trade.

The way ahead, the writers of the paper conclude, is not through Nafta as it is at present.

The rules as developed by bureaucrats and politicians have narrowly interpreted Nafta's "material injury" and "protection of balance of payments" clauses — and have allowed single firms to hold up schedule A deals.

Quantitative restrictions allowed under schedule A have also been a drawback.

Nafta could still be used as the basis for developing freer trade.

But new arrangements under it would have to be "part of a more clearly defined and compulsory programme of action."

"One option would be to establish an interim schedule, similar to schedule B, on to which transferral was compulsory and which provided for

Continued on Page 22

Nafta structu offers bleak future

WITHOUT change, the Australia-New Zealand trading relationship would be likely to deteriorate — that is the message of a joint discussion paper, prepared for a meeting of Australian and New Zealand manufacturing organisations this week.

The relationship has "deteriorated to one of mistrust and suspicion based on the conservatism of the lowest common denominator."

The paper presents a rather gloomy review of the New Zealand Australia Free Trade Agreement and its key feature, schedule A.

It is a tale of rejections of suggested additions to the schedule — which can result from the recalcitrance of only one firm — distortions of its original intention and narrow, sensitive attitudes of politicians and bureaucrats.

Goods included in this schedule A have duty-free access each way across the Tasman.

Every six months the two countries nominate a list of goods for inclusion in the schedule. Firms have three months to object to individual items and there is extensive consultation both between countries and within them. Serious objections may result in items being referred to the appropriate tariff authority in each country.

If a nomination gets through these hoops it is added to the list.

There are qualifications to the "free trade" nature of the schedule. Quantitative controls can be imposed for balance of payments reasons and there are substantial safeguards in case of serious harm to a local industry.

Schedule A trade represents about two-thirds of total trans-Tasman trade, covering around 2000 items.

But there has been little growth in recent years, because of the stipulation that industries in each country should not be harmed, because New Zealand is ... exempt import ... because of the ...

Though in the ... most pressure for ... came from Australia ... reluctance from New Zealand ... the position has become ...

Over the past ... Australia has rejected ... Zealand nominations ... Zealand 12 Aus... nominations. Only ... nominations were added ... schedule.

Schedule B was ... in 1973 to provide a ... sitional, safeguarded ... perience of "free trade" ... route to inclusion of ... dustry in schedule A.

So far little used, ... has favoured New Zealand ... exports by four to ... furniture is now covered ...

The other main ... inter-company deals ... article 3:7 for duty-free ... licence-free access ... with a high component ... from the other country.

Article 3:7 agreements ... not developed as ... for increasing the ... items in schedule A ... been seen as a ... increasing two-way ...

Deals under article ... peaked two years ago ... of $61 million. The ... trade is strictly ... quotas in both directions.

Overlaid on top of ... arrangements were ... imposed by Australia ... tiles and footwear ...

"Throughout the ... ment of the ... relationship a persistent ... was the unwillingness ... Zealand to subordinate ... freedom of ... decision-making ... Australians, and ... national pride on both ... the discussion paper ...

"Stemming from ... been the almost ... sensitivity of politicians ... real or imagined ... caused to employers ... ployees as a result of ... trade."

The paper lists nine main causes of the "present deadlock".

One is the political constraints imposed by politicians unwilling to put firms in their own country at risk.

The second is broad economic factors — primarily a chronic balance of payments deficit in New Zealand and unemployment in Australia.

The 1973 oil upheaval added to economic uncertainty and encouraged policymakers to resort to ad hoc expediency.

A third factor is trade barriers — the hardening of Australia's approach to schedule A and its imposition of import quotas on textiles and footwear.

The differences in size of the two markets has made it difficult to evolve concepts of equity.

There are also differences in the two countries' export incentive schemes and trade practices legislation.

The structure of trade has also worried Australians who have complained that New Zealand imports mainly goods — including raw materials — that it would have had to import anyway.

The restructuring of the manufacturing sectors in both countries has made people "introverted and defensive".

"In the midst of uncertainty there has been a major lack of long-term vision," the paper says, leading both to an unwillingness and an inability to invest in manufacturing.

The last factor was a collection of non-tariff barriers — random and ad hoc taxes, differences in corporate tax structures, changes in internal and external transport costs and differences in interest rates and energy pricing.

These "have all led to major distortions in cost structures which if free trade were to eventuate would possibly lead to resources finding less efficient employment than they do now".

The paper sums up the major constraints on expanded trade under Nafta as:

● the use of Nafta as a tool to defend an industry's position

● commitment to maintenance of firm size, no matter how small, as opposed to profitability.

"In many cases arrangements which increase trade and maintain firm size simply lead to a misallocation of resources," the paper says.

"Governments have been extremely sensitive towards any harm likely to be caused employers or employees.

"As a result, the relationship has deteriorated to one of mistrust and suspicion based on the conservatism of the lowest common denominator in each case."

The writers of the paper conclude that future development prospects are not bright under Nafta as presently structured.

"The easy areas of negotiation have already been encompassed in the agreement and the products remaining are generally those which are produced in both countries and in which expanded trade would harm producers in either or both countries.

"Yet here remains the most fruitful area for economic advantage in terms of increased efficiency through rationalisation and larger scale."

Refurbished Nafta

Continued from Page 21.

a phased programme of dismantling tariffs and reducing quantitative restrictions so that after a predetermined period of tima the item could be transferred to achedule A."

Schedule A would have to be redefined lo cover items with unrestricted duty-free trade.

Rules would also have to be devlaed for the interim schedule to minimise trede deflection and trade dlversion from third countries and reductions in quanlitiative restrictione should be applied across the board as a fixed percentage of the domestic msrket.

The paper points out: "The major differenca between this proposal and axisting arrangements is the element of compulsion."

The paper ekima briefly over the other possibilities: a limited free trade area, a full trade area, a customa union (with common tariffs and quotas for third countries), a common market (no restrictions on productive factors) economic union and political union.

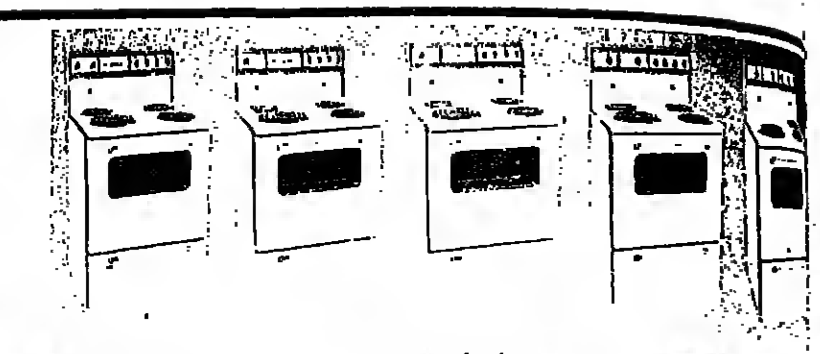
It makes no attempt to analyse the full implications of lia optiona — but does warn that any programme of change should be phosed.

It also adds a raft of othar conditions, which suggest the writere' strong preference is for a refurbished Nafta.

"In ahaping new initiative it is imporiant to be aware of certain realities and principles based on lessons from the past," they say.

Top of thia list is the "need for political independence in decision-making on external protective barriera, internal economic policias and in particular welfare distribution."

This appears to rule oul everything beyond e full free trade area.



But elacwhere the paper argues for freer movement of capital, labour and technology, conslatent with some aapects of a common morket approach.

It also urges harmonisation of tax structures and other differential official policy treatment of competitora — overtnnes of lhe common market, or even economic union, approach.

"It is critical," the paper soys, "that at least from here on, changes in economic policy offecting the cost structures of various industries take occount of the influence they are likely to have on the competitive position of those industries vis-a-vis ... located within the ... the other trading ...

The paper also ... "even footing" for ... — to ensure that ... petitive element ... value added to the ...

And it raises the ... problem" of failure ... compatible the ... level of protection ... countries as between ... and New Zealand.

These two ... towards a customs ...

Other "realities of ... ciples" cited by the ... the paper as needing ... in mind are:

- The private sector ... to take initiative;
- Profitability ... relevant consideration ... firm size;
- The present ... structure is the ... Government policy ... compensation and ... assistance should be ... where necessary;
- Quantitative ... between the two ... partners should be ...
- Services, part ... transport, need ... proved;
- Where there are ... differences in cost ... short-term adj... measures are justified;
- The use of ... resources should ... couraged.

Doyen steps down

TOP executive changes have been announced by J Ilott Ltd. They are mada notable by the departure from the daily scene of former chairman and chief executive Harold Austad.

After just on six decades with the company, he can properly be regarded as the doyen of New Zealand advertising. Austad remains on the board as a non-executive director and ia retained as a consultant.

Pat Smith, former managing director, becomes chairman and chief executive. Smith, prior to his appointment as *managing* director, waa for some years mansger of the Auckland branch.

PAT SMITH ... moves into top slot

Appointed as managing director is Surrey Kent who previously occupied the position of Wellington regional manager.

Coupled with the management changes, comes the announcement that the Australian agency George Patterson Pty, which acquired 20 per cent of Ilott's shareholding only two years ago, has now doubled the stake to 40 per cent.

"We had enjoyed a close association with Patterson's for many years befora the comparatively recent formal conjunction of interast took place," Smith aaid.

"Since our new relationship has been aatablishad, our interests have becoma even more intensively identified and thia move is a logical outcome of the increaeingly closer cooperation," he aaid.

Ads elude shortcuts

ADMARK

THE production of the most utilitarian television commercial still calls for the employment of all the resources required to maks a feature programme — craative talents, technical expertise of a high order and, paramountly, the optical and electronic gadgetry that will commit sound and imaga to a form in which it can be reproduced tims and again.

To find whole rooms full of equipment (any piece of which is likely to bear a price tag of $75-$100,000) ready on cue to record a 10 second commercial seema like employing a diesel locomotive to haul a match box. But there aren't any shortcuts.

Admark paid a visit recently to Concept Video, Wellington's neweat production house. It is another suparbly equipped production unit which New Zealand television commercial producers ara fortunate to have available.

It is obviously not our most experienced unit. And it is not yet in o position to claim it's the hest.

But it is undeniably the newest which means in turn that its equipment is the most modern available.

Like feature productions, all television commerciols cannot be shot in the confines of a climate-proofed studio and provision for location shooting is a must.

This calls for a mobile control unit which you can't pick up from a showroom floor.

General manager Mike Mune was lucky enough to find in America a unit which had been originally destined for Jordan.

It is a four-wheel drive van with integral power eupply so its usefulness extands past the paved road. Two-thirds completed when purchaaed it was modified by the manufocturers for New Zealand conditions and wired on arrival here.

When fitted, it provides a complete production service, available anywhere in the country. Between the driving compartment and the walled-off generator is a compact production control room.

While two cameras can operate outside to the limit of 600 metres of cabling, inside are videotape recorder, vision-mixer, sound-mixer for up to eight channels, sound taperecordar ond, of course, full monitoring facilities.

Cameras are fully portable and are "full broadcast standard" — a technical term which means exactly what it says.

Operation of the mobile unit presents one difficult problem — the logistics of driving from Wellington to Auckland at the weekand when all service stations are closed.

In its Miramar premises, Concept Video occupies over 900 square metres of spaco including an elaborately eound-proofad araa of 130 square metres.

A mass of highly complex equipment is packed into three control areos which are individually located and seporated but which afford line of sight production to the studio floor. These are the technical, sound and videotape areas.

"All the equipment ia what we believe to be the best avoilable. It makes economic sense to have the hest," Mike Mune said.

"For example, the newest equipment gives us greatly enhanced editing capability — four times faster than before. We are now computerising post production. Top gear means greater productivity," he said.

The policy makes sense when production calls for so much apecialist manpower. Your standard crew lists a director, vision mixer, lighting director, videotape operator, cameramen, floor manager and sound operator.

Somehow there is still room to move between the bodies and the arrayed banks of controls and monitors.

At the time of our visit, the company had been in operation just over two months. The de-bugging process had been completed and it had chalked up a half-century of completed jobs.

"Business is storting to come," said chairman Ray Shaw, "and I mean good, substantial business."

There is anothar face to Concept Video besides VT.

As part of the original plan it set out to provide a full service for closed-circuit television customers — or "CCTV" to the initiated.

This service deals with sound and visual presentation for conferences, sales promotion meetings, product launches, client presentationa, staff training and the like.

It includes the production of material (for which there is a separate department with its individual equipment) for staff training or demonstration as well as the hiring of all kinds of equipment from cameras to sound sddreas systems. And buainess in this area is booming.

Staggered by the multiplication of electronic equipment which could properly be liated only in a technicol magazine, Admark ventured the opinion that there was surely all the parophernalia needed to operate a television station.

"Well," said Mune, "the wiring runs through to the roof."

Market researchers shy away from head coun

by Helen Vause

MARKETPLACE

MARKET research — its role in the 1980s, its role in exporting, how much it is used or not used, and most importantly, positioning tha value of market research upfront in the minds of the business community.

These were soma of the subjects under scrutiny at tha recent annual conference of the Market Research Society — a group of researchers and research users.

A high conferenca priority was to look closely at the market research induatry itself and ways to sall market research more vigorously than ever before.

The conferenca theme waa "Through the Mindfield of the Eighties".

Society presidant Alan Lough said: "The 1980s will present the most challenging and difficult business era in New Zealand since World War II.

"Howevar, new problems can also produce new opportunities for those in a position to make the right decisions. This is where we believe markat research will have a more important role to play."

The conference waa only the aecond National Conference held by tha Market Research Society and not surprisingly, high on the agenda waa the presantation of the results of a survey on the industry itsalf.

Ironically (for a research body) an earlier effort to get a comprehensive picture of the business was abandoned because "the high quoted cost seemed incommensurate with the benefits".

Because some major research organisations would not participate in tha survey (ironical again) the findings were considered to be estimates only.

Those who did not take part were Heylens, tha National Research Bureau and Market Research New Zealand Ltd. These groups did, however, attend the conference.

Thirteen organisations in New Zealand offer market research services, total industry turnover (excluding retail eudits) was an estimated $3.75 million.

The market research industry employs between 200 and 250 peopla with about 55 of them as fulltime researchers.

The total number of consumer interviews carried out by market reaaarch organisationa a year is estimated at 400,000.

All the participating firms reported that turnover had increased during the last financial year, in most cases by over 20 per cent.

In an appraisal of the industry and its future, Auckland branch president David Innes aaid: "As a user of research I am prepared to say that there is no other activity in business with greater potential for improvement of one's marketing performance. We have the responsibility to hold our banner high, to convert the ignorant to our cause.

"Good dacision making depends, at least in part on knowledge and markat research is one of the primary sources of this knowledge. This is not to auggest that companies not uaing market research will fail.

"Nor that tha use of market research will automatically result in auccess. But experience across the world has shown that the chances of auccess can be dramatically

improved through careful and systematic research."

Research, he warned, must be properly positioned in the overall business picture.

"Unless the practical implicationa of the findings are given consideration the work becomes like a great piece of sculpture — beautiful to look at but not much practical use.

"In our survey results the main types of criticism levelled at researchers fell into this area: — academic, impractical, lack of marketing follow through etc."

Througnout the conference the issue of demystifying reaearch methodology and results to make sure the end user understands what he has paid for, was raised.

All too often market research reports are permanently filed because clients are unable to interpret them with enough confidence to incorporate research findings in decision making. Tha report, once complete can become more a vague security blanket than a navigational tool.

Innes' points were expanded by Brian Milnes, executive director of the Newspaper Advertising Bureau.

"It is generally a sad fact of life that a soft piece of research, superbly packaged and presented will generate more action, more business, than a superb, hardnosed study presented in almost computer printout format. How you say it is at least as important as what you have to say . . . "

He said tha message from media groups the world over was loud and clear: "Pour money into presentation of research. If necessary reduce your expenditure to allow you the funds to marchandise the research or else you just won't gat your head above water."

Milnes said: "Whan you report, think of your client's objectives, think of the information ha is going to need, and how best it can be presented and give him some advice.

"Help him io that area bacause if he seea that research ia contributing in positive terms to his selling activities then he'll cootinue to spend on research and spend with you. You are involved in the marketing game aa well.

"If we ara faced with the choice of two studies a year with today's packaging and presentation or one atudy and a large amount of money spent on Barnum and Bailey activities, flossing up etc, we will in future opt for one study and optimum packaging."

Obviously the numbers gama and research techniques are important to markat researchers and the nuts and bolts of conducting res... featured prominently a... conference. But the ... from outside speaker... research users was "... yourselves — tell us what... numbers really mean..."

The strongest attack... isolated number ... came from Aust... freelance creative cons... Dennis Everingham ... address "Advertis... Research — malice in ... derland, lead boots ... eagle? or a valuable to... developing successful cre... approaches."

Speaking as a research... he said: "After half a ce... as a vague interface ... vertising has been stri... naked and made accoun... Where we used to ... something might work ... have to know it will wor...

"We have to have the ... research, our clients ... longer our patrons. ... estimated that 90 per c... advertising is wa... vertising and I believe ... be that bad myself. Adm... your fault.

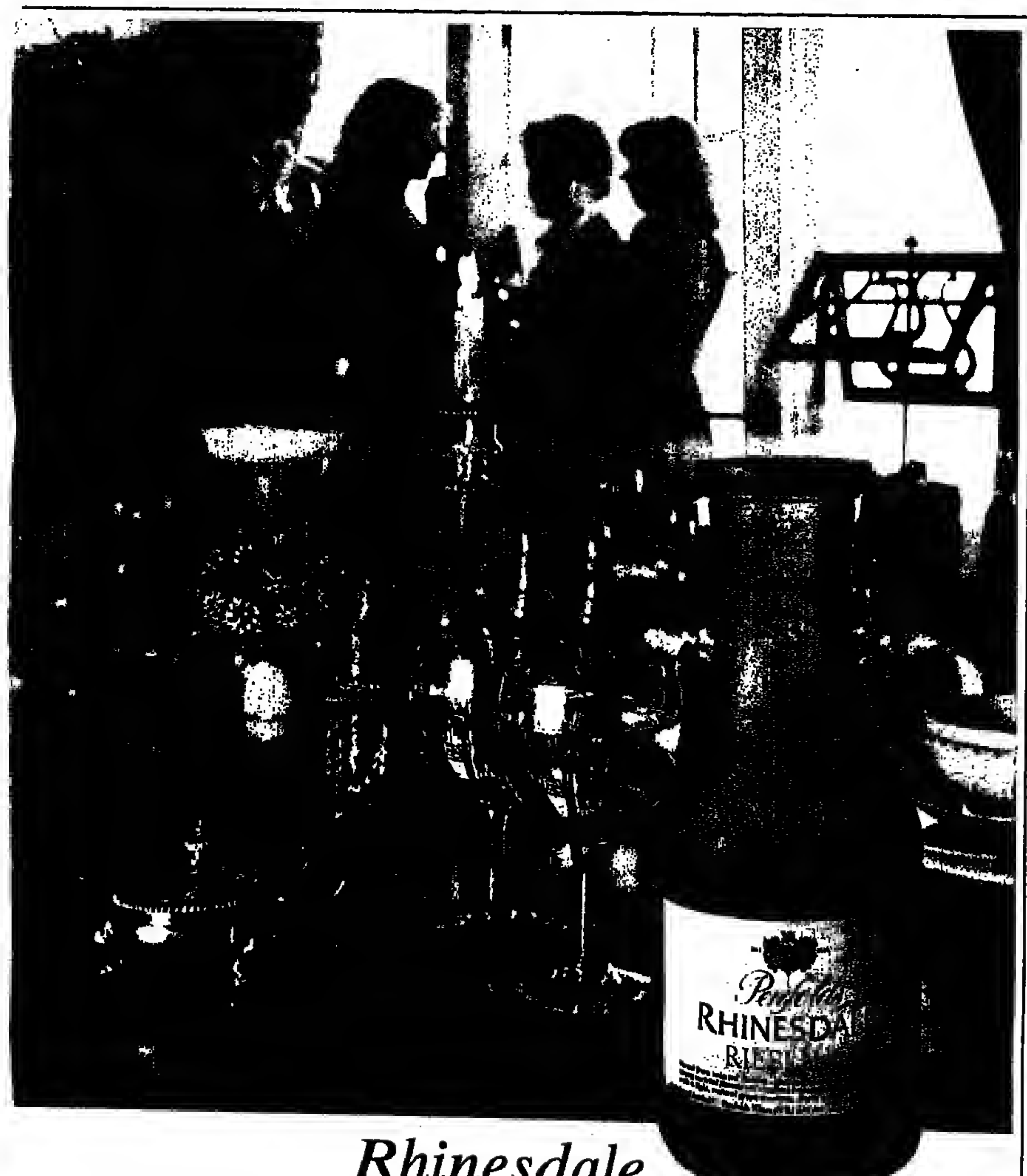
"You only tell ... numbers when we ... know about people. We ... know the real consume...

"I'm not saying you ... throw away quantita... research, but I'm insis... be followed up with ... qualitative research.

"The advertising pictu... dear old mum is ridic... when we know that wom... their droves are going ba... work. And the woman we... so often capering in ... commercials — does she ... exist?

"A great deal of ... advertising is due to ... ignorance of the audience ... clinging to tired ... stereotypes," Evering... said.

Overall though the ... ference mood was optim... the tough times ahead for ... businessmen could be ... golden years for the ... Zealand market resear... industry.



Politics muddies the prospects for fish farming

by John Draper

HUNTING the oceans in sophisticated, oil-burning, electronically guided boats for fish to go with the chips is becoming expensive.

And the fishing industry is realising there are more efficient ways of catching fish — rather like arrows wera swapped for the plough to get food.

New Zealand is ideally suited to modern fish farming.

Technically there is little to stop tha rapid expansion of the abundant, unpolluted watera in the rivers, lakes, estuaries, bays and sounda.

Politically, the outlook is muddy.

To develop mussel farming in the Marlborough Sounds, the Fishing Industry Board, a statutory body, had to involve 11 other Government agencies or departments, plus four local authorities, all of whom considered they had ultimate responsibility for the development.

Further snaga were encountered in tha form of sporting and recreational bodies which considered they too should have a say.

The result is haphazard at best. The Ministry of Agriculture and Fisheries which has aasumad some authority for development is now talking with all local bodies who have been appealing against the issue of further licences.

But the results are slow and come in the form of agreed areas where mussel farming will not be allowed, rather than a positive declaration of whera it may be undertaken.

Would-be salmon farmers and salmon raochers are also experiencing problems getting clearance from South Island acclimatisation societiaa, which effectively control the release of the valuable fish into rivers.

Trout — another potential export earner and a certain hit with the local restaurant trade — is vehemently oppoaed.

Such is the strength of the opposition to several likely marginal seats at the naxt election that tha Prima Minister has already aaid there will be no trout farming during the life of this Parliament.

The statement was reiterated by Agriculture and Fisheries Miniaiar Duncan MacIntyre at a recent aquacultura conference in Wellington.

What aquaculture and the fishing industry as a whole needs is a davelopment agency, in the view of tha Fishing Industry Board's first general manager and now fisheries consultant Jim Campbell.

Ironically, Campball was commissioned by tha United Nations Food and Agricultural Organisation to write a paper on the type of agencies needed primarily for the benefit of developing nations.

Tha board's attampts to grow into a davelopment agency have been firmly resisted, Campbell aaid.

"We were trying to cut across established departmental controls."

The board's preaent general manager Nick Jarmon says aquaculture must be planned on a national basia with local opinion being obtained and considered after tha nationel plan has bean formulatad rathar than the reverse.

The maritime planning provisions of the Town and Country Planning Act, provided "too great a risk for parochial mechaniams to prevail".

"The Act allows for appeal mechanisms, but these are likely to involve extensive and expensive litigation and will effectively stifle the ambition of many individuals intarested in becoming involved in small acala aquacultural projects."

The competing demands of conservationists, aportsmen and "thoughtful exploitation" have to be recognised, Jarman says.

But if living standards are not to decline "unthinking and unnecessary raatrictions cannot be allowed to hinder developmants which are not in themselves environmentally degrading".

Technically, many problems must be overcome. Aquaculture in many ways is only just emerging from its own Stone Age.

Fresh water fish farming has been going for centuries in China, and was widely practised in medieval Europe.

Now research around the world is concentrating on giving nature a helping hand and on genetic breeding.

Using carefully controlled environments the aurvival rates can be dramatically increased.

The chinook salmon can lay up to 5000 eggs. In the wild, less than one per cent ever aurvive to return to their birth place.

In a fishery, mora than 90 per cent of the eggs will be hatched, raised and released for ocean ranching. Hopefully up to five per cent will return three or four years later for harvesting.

In laboratories, scientists are working on developing types of shellfish suited to fish farming.

At the Ministry of Agriculture's Fisheries Research Division in Wellington, Dr Dinamani, who organised the recent aquaculture conference, is optimistic of developing a new breed of oyster with the fast-growing qualities of the Pacific oyster and the long harvested life characteristic of its distant cousin the rock oyster.

Ardent fish farmers claim that by the late 1980s their produce could be a significant export earner as well as saving millions on existing imports.

Laat year $3.5 million of salmon and another $3.5 million of shellfish were imported.

Fishing exports are breaking records year by year. To March 1979 shellfish exports including aquid went by 49.7 per cent in weight and by 16.3 per cent in value to $6 million.

Wild eels alone were worth $4 million ahowing the potential for farming.

But scallops were laat year's disappointment, with exports dropping sharply.

South-east Asia, Japan and Australia are New Zealand's main fish customers.

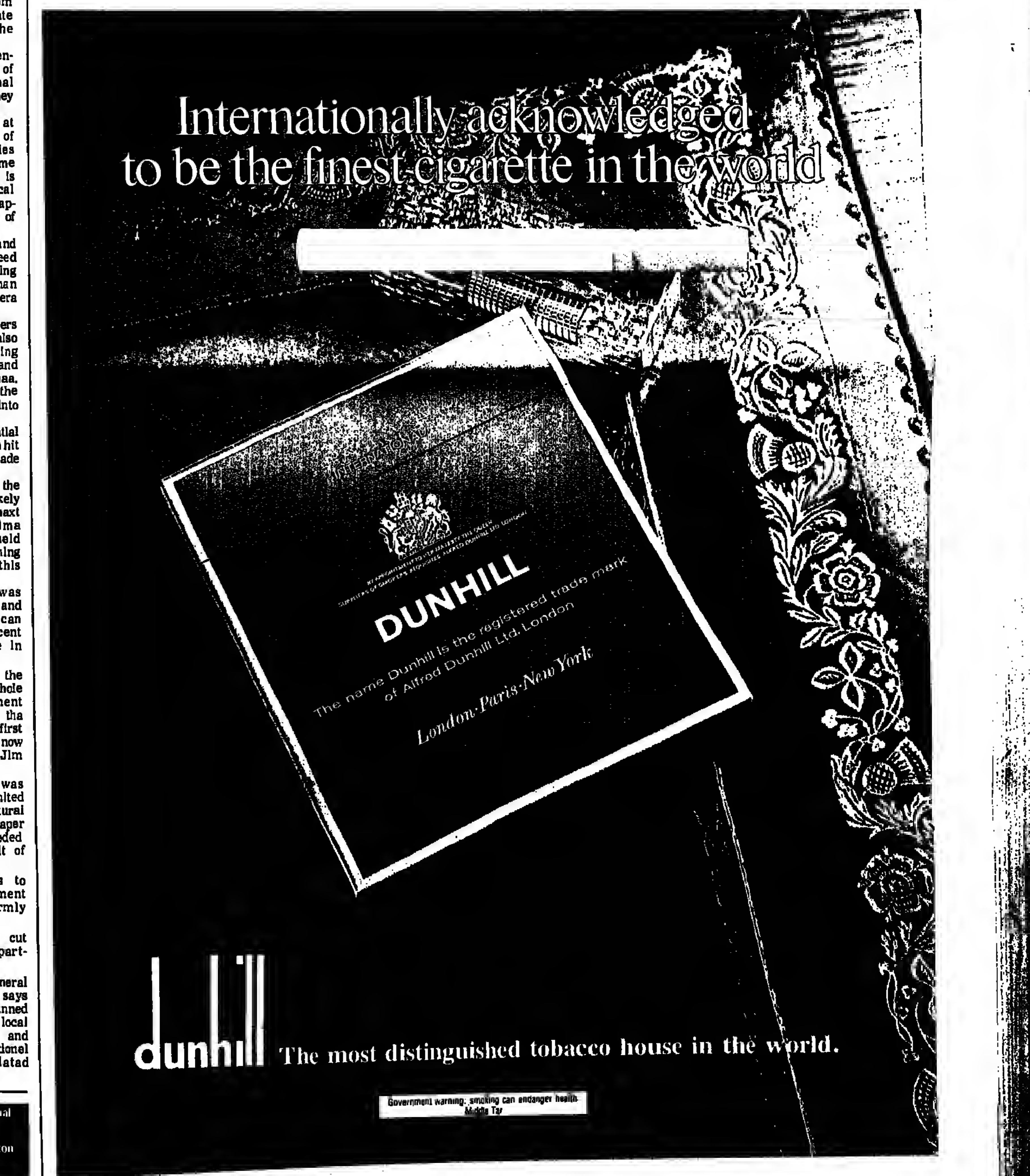
The United States, which has stringent hygiene regulations for shellfish imports, may be added to the list soon.

Officials from the American Food and Drug Administration will hold talks with officiala from the Ministry of Agriculture and Fisheries at the end of the month.

But there is unlikely to be any immediate bonanza. The "quick quid" merchants have already lost out to the slippery eal which refuaad to be farmed Japaneaa style in New Zealand watera.

Locally, aquaculture is atill near the bottom of the learning curve. To more fully exploit the local watera there may yet ba need to import "exotic" types auch as shrimps, crabs and other crustaceans considered delicacies, attracting high pricea in Europe, the East and America.

For some species, including trout, legislation will be necessary for thair introduction and a fierce fight with acclimatisation societies to be won.



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Cressida combines technology that is uniquely Toyota, with luxury that success deserves.

Here is more sheer comfort and prestige than one might reasonably expect.

A quick two litre engine gives you thrust without thirst – a very responsible consideration for thinking owners.

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The front seats are infinitely adjustable, – and the driver's seat embodies a lumbar support zone which you adjust to gently ease lower back fatigue.

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Cressida.

At the moment 5 speed manual $11,300 and automatic $11,700.

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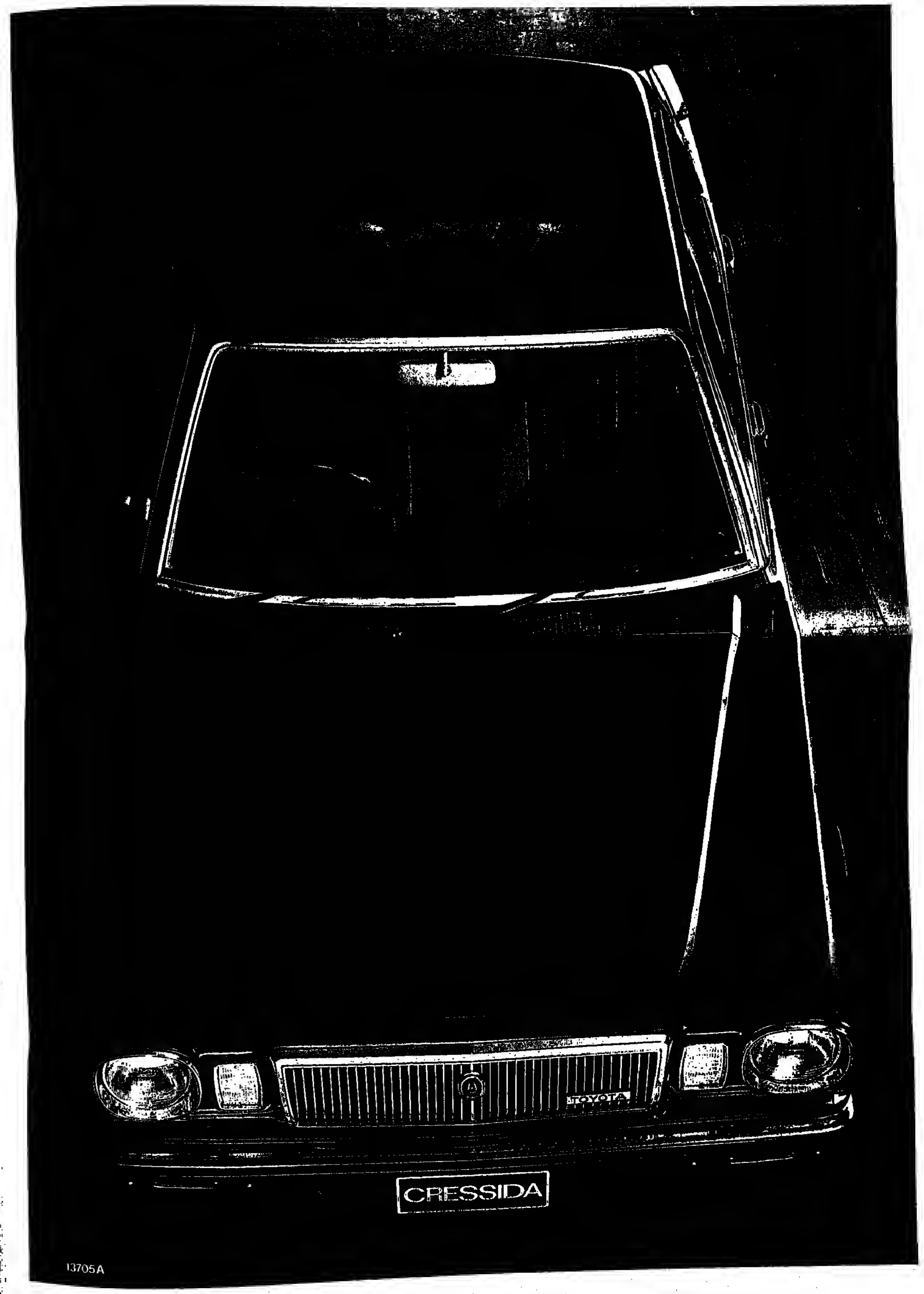
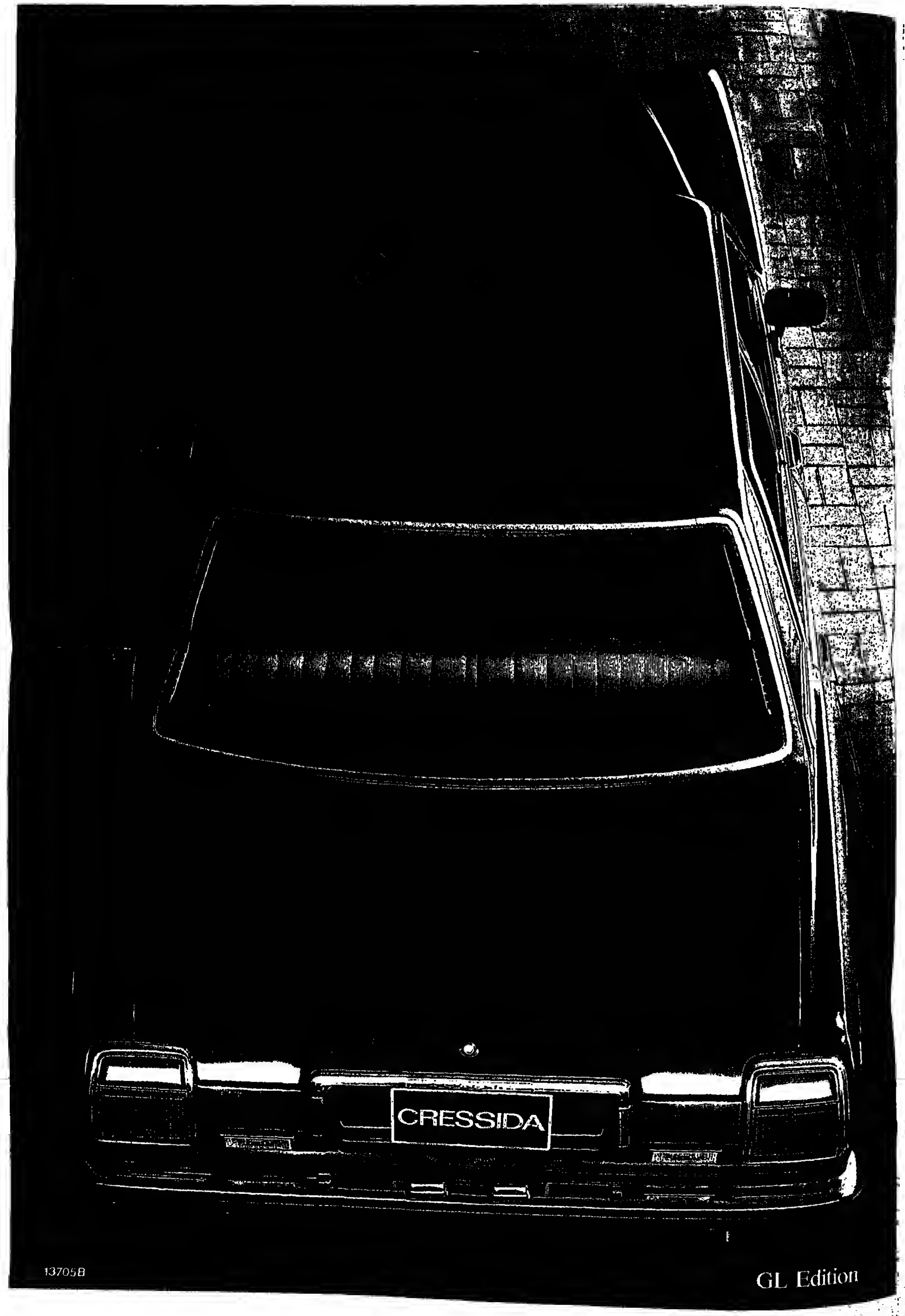




Travellers bask in sun and count potatoes

THERE ware croutona, the merest suggestion of soup and s welter dolog a passable imitation of a New Zealand telavision interviewar approaching Rob Muldoon.

"So sorry sir, tha chef must have thought it waa for tha Japanese party—they don't eat very much," he aaid.

What he meant was thay don't get vary much.

The Japanesa are moving back into the Pacific and the Fijians ere cashing in.

In short, tha nama of tha game now is money.

There was a tima whan Naw Zealanders were tha top money spinnars in Fiji.

The high cost of internel air travel at home plue the "American" pricea in tha South Island made thia holiday paredise a number ona choice.

The added attraction of duty free shopping was icing on tha cake.

Then, in tha early 1970s the rush was on to Europe and Disneyland.

Now the tables hava turned again. Rising coste are forcing New Zealendera to look closar to home for thair holidays and the number of Kiwis heading for Fiji is on the increasa aftar a fall off three yeare ago.

They ara finding a very different Fiji and in turn the Fijians ara finding a very different New Zealander.

"There are still people with money to spend but more and more we are seeing the first

TOURISM

tima traveller, tba Naw Zealender who counte the number of potatoes on his plate," said Don Lane, President of the Fiji Hotal Association.

In contrast, Lane points to tha Australian: "They coma here to have a ball and count the cost whan they get home."

On the other hand, figures show that New Zealanders are returning to Fiji.

In May of this year close to 5000 visited Fiji, 56 par cant up on last year. For the year anded June this year the overall figure was up 12 per cent, to 36,612 New Zealanders.

These are the people who deserted the land of sendy lagoons when hotal prices doubled four years ago.

The reason wae quita simply the price of oil.

It fuels the country's electricity and 87 per cant of tha hotel rooms are air conditioned—so prices soared.

New Zealanders faced with the prospect of spending big money took off for London and the United States.

"What we are seeing now is tha braak down of that psychological barrier," said Lane.

"They now know how much it costs to go elsewhare and they are coming back to Fiji.

"The sophisticated traveller knows what it costs to eat out at home and round tha world.

"What we are also getting though, are New Zealanders who want an overseas holiday, can't afford to go furthar than Fiji, and end up counting the potatoes on thair plate."

The argumant does not go down wall with Viliame Raikuna, managar of the Fiji Visitors Buraau in New Zealand.

Three years ago he was living from day to day never knowing when his office would be closed through lack of business.

Now things are starting to look up again and ha defends his market and his customers.

"Thare are more Australiana but New Zealand is an important market to us, a market wa have spent money on developing," ha said.

The increased figures reflect a million dollar promotion by Raikuna and his colleagues round the world.

In short, they laid on junkets for travel agents and journalists, and it worked.

Conscious of the need to remain competitive in the tourist industry, it is Fiji Governmant policy to hold prices, but Lana says they will rise by 10 per cent next year and "hopefully no more than 15 per cent".

Behind this lies tha high cost of imported oil end food and a well organised trade union movement.

The hotel trade is now paying $1.20 an hour.

A voluntary agreement of 7 per cent has been reached between union and employers for wage increases this year but already the ratio of one employee to each room is down to 0.7.

More serious and worrying to the Government is the creation of a working alite earning far more than any other Fiji labour group.

The cost to Fijian society will be high and so too will the effect on the price of a holiday.

Whenevar the question of cost is raised, so too is the effect on this of the Japanese influx.

They want the best and can afford it.

But, as Raikuna points out, they have a major language problem and can end up paying more.

"I may get shot down for saying this but I hope wa don't pin to much on the Japanesa," he *said*.

A major concern is tha craation of a dual prica structure with tha Japanesa paying the top rate and everyone else, including New Zealanders, paying less and perhaps getting iese.

"We want to do business but not to the point of being unscrupulous about it."

He points out that already tha duty free attraction of Fiji has practically gone.

Tha Japanese moat certainly have no use for watches or radios, they want carvings.

New Zealanders are still after thair watches and micro wava ovens but the days of the Indian atore ownar starting at an inflated price so as to come *down to* a good profit with the impression of a bargain are over.

There ie now a resigned fixed prica attitude with claims that to drop would mean bankruptcy.

You can point out to your heart's content that his going broke is a matter of supreme indifference to you and the price *will waver no more than* a dollar or two.

Raikuna maintaios Fiji wants to keep its New Zealand trode; Lane praises his high apending Australians but one con't help feeling that for the Fijian wood carver or soup chef, Japanese means happiness.

Transport consultant sets up for business

AT least one man is confident of the future of the transport industry, despite all the problems of governmant policy, fuel supply and price and so uncertain economic environment.

But John Levet, the former assistant menaging-director of the Auckland-based trucking company of Andrew and Andrew says it's a cautious confidence tempered with a good deal of doubt.

Levet has resigned from his firm to set up business as a privata consultant for firms in the transport business.

"People in business, perticularly the small operator who's working his heart out just to keep going, haven't time to sit back and take a look at themselves," ha says.

"Often it's the same with the big companies who take on too much, diversify too quickly, they haven't tima to work out all the connections between their operations to get tha greatest efficiency.

"A consultant makes peopla stop and take a look at themselves and where they'ra going."

Levet was also junior vice president in the Road Transport Association and was set to become president within four years had he not decided it was time to get out.

He was formerly an accountant with Firestone before joining Andrew and Andrew. Now he expects much of his work to coma from ancillary operators.

It is in this area that Levat sees the greatest economies to be made in tha transport sector as a whole.

"Many vehicles are owned by firma for convenience and often at lerge and unknown costs to tha firm," ha eays.

"The transport of goods is ancillary to their business, but although people like manufacturers will study their production costs to the nth degree, and are axtremely conscious of the effect of wage increeses, the costs of transport era rarely looked at in any comprehensive way.

"Is it possible for example that getting someone aise to transport your goods will be cheapar than owning and maintaining your own fleet?

"What actually is the fleet there for? — prestiga, convenience, habit moy all come into it.

"It's possible the firm mey not even hava tha best and most efficieot trucks to do tha job thay do want."

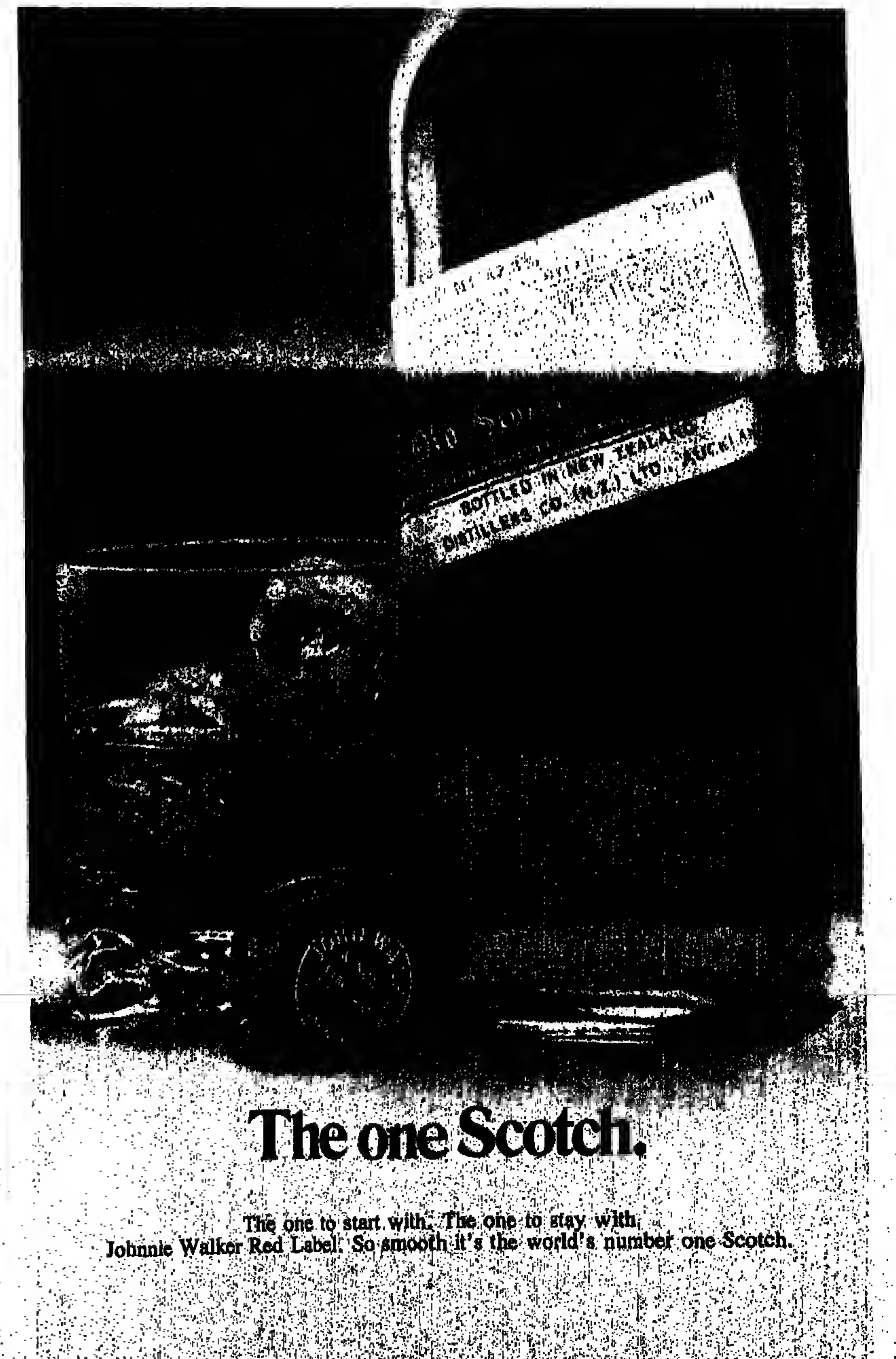
Distribution is a costly business and one which is ignored at a firm's peril, according to Levat.

"Transport is an industry with tha quickest wasting capital assets of any industry, and it's essantial for both tha *firm* and the *country* that they be put to tha most efficient use."

But why leave tha licensed lodustry for tha uncertain life of consultancy?

"Who in his right mind is going to invest in the transport industry when you can get a better return from Government stock. And who wants to bava all the hassles of the uncertainty involved in tha Govarnmant's traosport policy?"

"But all the same tha country has got to have a viabla traosport industry, and I went to work to ansure it gets ona."



Allied Press: takeover target holds history of control struggle

IF there is any surprise in the emergence of a struggle for the control of Allied Press Ltd, it could be simply that no-one had made a real effort to take over either of the Dunedin newspapers long before this.

The battle between Mt Cook Group Ltd and Otago Press and Produce Ltd (OPP) appears to be over with OPP receiving acceptances exceeding 51 per cent, and declaring its offer unconditional.

The struggle was of recent origin. But the roots of conflict for control of the newspaper group go back much further.

As is often the case in newspaper boardroom rivalry, the ultimate losers may well be the readers, who ostensibly at least, the newspapers exist to serve.

The target of the takeover battle, Allied Press, was formed only in 1976 when the two companies publishing the Otago Daily Times (founded in 1861) and the Evening Star (1863) respectively, merged.

It was an apparent move towards rationalisation, specially in the light of the rapidly escalating costs of new technology across the whole area of newspaper production.

But in part the move was to strengthen each unit. The Otago Daily Times company published a newspaper with a circulation of well over 40,000 and rising, owned a substantial commercial printing plant, and enjoyed healthy balance sheets—too healthy, in fact, for comfort.

Managed in a typically southern conservative fashion, the company, with its obvious (and often liquid) assets, would have been an ideal target for the corporate raider, or, perhaps more likely, another ambitious newspaper group.

The Evening Star, circulation less than 25,000 and declining fast, three years ago was more and more depending on its broad investment portfolio for profit growth, and on the performance of the large Dunedin construction firm of Naylor Love in which it held a 50 per cent share.

In addition, there were packaging factories in Dunedin and Christchurch.

Neither the share market nor the building industry were to be reliable areas of financial gain however.

A merger had been mooted occasionally over the years but opposition to it had been strong from Dave Smith, the Star Company's chairman.

On Smith's death his successor as chairman, Vic Cavanagh was to be the principal architect of the merger.

Cavanagh, as tough in business as when he was coach of the Otago rugby team, had loyally supported Smith. But the declining fortunes of the evening newspaper and the knowledge that eventually a huge outlay would be required to modernise plant if the paper was to compete, became overriding factors.

The merger was far more adventageous to the Evening Star than many observers would have forecast.

With the consolidation of 1977 of the total editorial and publishing activities of both newspapers in the handsome almost classically designed Star building in Stuart Street it appeared as if the evening David had won on points over the morning Goliath.

Hall Masters, former Times company chairman [illegible] became the first chairman of Allied Press, died [illegible].

His successor was [illegible] Nees, also a former Times director (and on the boards of other public companies).

But his strengths lay in his own immediate retailing sphere. He was a relative stranger to the practicalities of the newspaper world.

The real experience on the Allied board now rested with Vic Cavanagh, who had spent his whole working life in newspapers, nearly all of it with the Evening Star.

There were three Smiths on the original Allied board as well, plus another with associations by marriage.

Of these, the most aggressive, and the younger, was Julian Smith who had succeeded his father. [illegible]

Julian is also a director of OPP and the driving force in the moves by OPP, to gain control of Allied Press.

With this intent seemingly realised, the influence of the old Otago Daily Times company interests [illegible] be lost. The name "Allied" chosen three years ago, [illegible] inappropriate.

In actual performance however, the Otago Daily Times is very much the senior partner of the alliance. Its circulation is steady at around 45,000, its advertising revenue continues to increase, and it operates at a substantial profit to subsidise the evening paper.

The Evening Star, on the other hand, continues to lose readers, with a circulation today estimated to be well below 18,000. (Accurate circulation figures have always been difficult to get because the company did not subscribe to circulation audits.)

The Evening Star changed the tabloid format earlier this year but won no converts.

There was an exodus early last year of many experienced journalists, including editor Peter Stewart—largely because of the lack of board commitment to the future of the paper. That was a blow from which there is no visible recovery.

The exodus has continued. And the paper's operating loss may be as high as $60,000 this year.

The lack of investment in the Evening Star over the last two decades, as profits were channelled into other ventures and the share portfolio, has been as much responsible for the paper's decline as any other factor.

The changing patterns of newspaper reading, the static population in the circulation area, and the challenge of television are also offered as reasons for the present position of the paper.

But the constant emphasis on profits being invested elsewhere, rather than in the paper, has played its part. Nor has a passive management helped.

Yet it has probably been the Smith family pride, and their influence on the Allied board, that has ensured the continuing appearance of the Evening Star on Dunedin's streets.

Like so many New Zealand newspapers, the Evening Star had been a family concern. The Smiths' association with it covers decades.

The two older Smiths are no longer on the Allied board, but the broad ownership base of the company that now exists has not dimmed Julian Smith's proprietorial approach.

In his early 40s, Julian is bluff, with a voice to match, and gives the impression of always being in a hurry—as indeed he is.

The number of his directorates has grown to include Fairbairn Wright in Lower Hutt and Rattray and Son in Christchurch.

But he holds three which have placed him centre stage in the current takeover play.

He is deputy chairman of Allied Press. He is general manager and a director of John M Fraser and Sons (which has formed Otago Press and Produce Ltd to take over Allied Press).

And he is managing director of OPP

OPP came into being in March of this year to ward off an apparent takeover move by Christchurch-based H W Smith Ltd (unrelated to Evening Star's Smiths) which had quietly acquired a 16 per cent holding in Allied Press.

Bruce Judge, formerly Brierley's man in New Zealand, and now managing director of H W Smith, had expressed his interest in Allied Press much earlier.

When the Brierley organisation was active in the Kempthorne Prosser-Ravensdown battle, Judge had suggested to Peter Fels, KP chairman, that Allied Press was ripe for takeover and there could be a combined move against it.

Nothing came of the suggestion at that time, but Judge did not delay moving into Allied Press once he had joined H W Smith.

OPP was formed to combat what was likely to be an asset-stripping operation, although H W Smith's activities came to a halt of their own accord.

But last month, a new force entered the field and, again there were links that went back before the merger of Allied Press in 1976.

The general manager of Mt Cook Group since the middle of last year is Philip Phillips. Before that he had been an executive on the Otago Daily Times, and became general manager of Allied Press when it was established.

It is no secret he was disenchanted with the negative attitudes prevailing in the Allied boardroom. At the same time, he knew there was real strength and wealth in the company.

His own background will have contributed to Mt Cook's decision to bid for Allied initially.

Phillips, a Welshman, is a former member of the Lord Thomson organisation, having worked in both the newspaper and airline sections of that vast empire.

He could see the relationship of Mt Cook's operations with those of Allied Press. Not least was the attraction of Allied's excellent colour printing plant.

Mt Cook spent more than $250,000 in promotional printing last year.

So, although there could well be truth in the rumour that Mt Cook Group itself is under takeover threat, and was seeking to secure its own position by a takeover of Allied Press, there were obvious basic reasons why Phillips should have urged his board to make the move.

A fortnight after Mt Cook's initial offer on September 12, of nine of its ordinary shares for eight Allied Press shares, plus 25 cents for each Allied Press share, the company increased its cash offer by 10 cents.

But the move was too late. OPP had offered $1 cash

But OPP supporters had also moved to purchase — in a cash bid of $2.25 — the 16 per cent shareholding of H W Smith Ltd in Allied Press.

This offer was accepted at the beginning of this month and subsequent acceptances have given OPP majority control.

The takeover rivalry highlighted a clear split in the Allied Press boardroom.

The former Evening Star directors—Smith, Cavanagh and D S Brathwaite—supported the OPP offer.

Nees, D R Hunter and R D Stewart, formerly Otago Daily Times directors, supported the amended Mt Cook offer.

The remaining director, Dunedin accountant A Anderson, is relatively new to the board, obviously did not want to take sides, and believed no recommendation should be made to shareholders. None was.

The efforts of the Smith and Fraser families, however, were successful.

In the background has been the skill of Jim Valentine, a leading accountant and experienced company director. He was financial adviser to Allied Press, but has since withdrawn from that position.

He remains a trustee of the Fraser Trust, which played a part in enabling the John M Fraser group to set up Otago Press and Produce Ltd.

What Valentino achieved, in what is now being called a merger of Otago interests, is Smith and Fraser control of both the newspaper operations and John M Fraser's involvement in poultry and fruit and produce.

There is almost certain to be a restructuring of the Allied Press board, and the former Times directors as loyal to Otago as anyone (Hunter is chairman of the Otago Council) could find themselves out the door.

And what of the two newspapers, the glamour objects in the takeover struggle?

The Otago Daily Times should continue to strengthen its position. But the continued existence of the Evening Star seems less assured.

Life offices seek less Government direction

by John Sloan


INSURANCE

LIFE insurance office's investments in New Zealand total $3000 million, 49 per cent of which is invested according to Government directives. Currently, life offices must invest 20 per cent of their assets in public sector securities with the minimum Government security componant being 19 per cent; and a further 20 per cent of their assets must be invested in housing and farm investments.

The life offices concede they "have a prime responsibility to provide their policy holders with the best value for their premiums (for example, by good bonuses) and recognise that, with the investment of their policy holders funda, they have a national and aocial responsibility. This is in the interests of the country's economy, the community and policy holders themsalves".

Life offices maintain they should not be subject to etrict Government investment directives and cite four major reasons to support their view:

● The 20 per cent housing-farm directive is unnecessary and inelastic especially in the prevailing stagnant market. "It is wrong in principle to deliberately force-feed surplus funda back into the houaing market when such funds could more appropriately ba absorbed by, say, industrial development demanda to improve exports and employment opportunities".

● The 10 per cent local authority priority directive cannot be justified in today'a conditions. "... other inveatment demands clearly should be mat first. To the contrary, local authoritiea must be discouraged from too ready access to funds. This segment of the public sector investment directive haa no validity and ahould be revoked".

● The 1979 Budget's emphasis on increasing export earnings can be boosted by the life officea if they can voluntarily direct more money to this area. "The 1979 Budget has placed emphasis on increaaing export development, farming expansion, facilities for touriste, aupport for the meat freezing induatry amongst othsr matters. Life officea will ba in a better position to provide promptly needed financa in such development areaa if they have greater discretion."

● Incrsasing the tax exemption for life insurance premiums would attract more funds to life offices which in turn could be reinvested in long term projects.

In seeking more freedom life offices are not opting out of responsibility to either policy holdera or the country's national interest. They aay market forcea, especially demands from existing and potential policy bolders, plua sound business practicea will dictate an acceptable investment programme.

And they use one of the Prime Minister's pet sayings ("fancy footwork") to bolster their argument; their version is: " relative priorities for financial needs have changed and can be expected to continue to chenge. Relaxation of directives is slow and can be too lata. New directives can create severe distortiona in inveatment patterns. Life offices are best able to meet changes and needs quickly if they have wida discretion".

This investment mobility ("fancy footwork") is odvertised by one of the life offices' major competitors in ths superannuation investment field, the Bank of New South Wales. The Bank comment they look to "balance our portfolio at the optimum point between extreme risk-high return and excessive caution-low return situations.

In today's climate of rapidly changing economic conditions, volatile share markets, currency movements and high interest rates, successful long term investment requires both the expertise and flexibility to vary the investment mix of the individual portfolio to maximise the capital and income growth of the assets of tha fund; while similarly, and just as importantly, minimising the potential risk of capital-income loss".

Flexipol adapts traditional deal

TRADITIONAL concepts of life insurance continue to be adapted by ineurers who create new models.

Tha T & G Lifa Society haa taken a "new approach to life insurance" with a scheme termed "Flexipol Superannuation".

Flexipol is specially designed for: professional people; the self employed; people who cannot join a superannuation fund; and those who wish to augment their exlating superannuation protection.

The meeting of basic insurance needs is normally achieved by people effecting a combination of separate policies over a period of time. This can result in a person's life insurance becoming inadequate or inappropriate.

T & G maintains that its "Flexipol" will overcome these problems, plece far more control of the policy in the handa of the member and will satisfy most long term life insurance needs.

The basis of Flexipol Superannuation is the provision of temporary or death cover at a level decided by the policy-holder, plus an investment account which can be limited in the early years depending on how much of the insurance dollar is used to purchase the cover.

After a given period, the temporary cover is scoled down or curtoiled and the investment occount builds up. This allows the policy-holder to take out o high level of cover as a security at comperatively low cost while he or she has n young family and many financial burdens.

When the policy holder's financial situation improves, he is able to switch the policy in a direction which will provide a mora attractive return on retirement or any other predetermined date, after the age of 60.

Mathews claimed Flexipol had these further advantages:

● "The Trust Deed has been approved by the Government Actuary, and aa such, interest earnings in the fund are tax free, thus providing higher long-term returns as compared with normal life policies;

● Other options enable the member to increase the sum insured within csrtain limits without evidence of insurability.

A further odvantage claimed for Flexipol superannuation is thot it is possible for a member, after holding the policy for at least two years, and finding he cannot pay premiums for a certain period, to avoid an interest penalty while his premiums are unpaid.

Flexibility key to judging policy

by John Peet

SINCE snsrgy le a derived demand, it haa besn suggested, it is first of all necessary to determine tha social goals and guldelines of socisty, and only then enunciats the resultant energy goals and guidelines.

The difficulty with that argument is thst it la unlikely (and probably undesirable) that sny consensus could be reached, even in the short term, as to a nationally meaningful set of aocial guidelines.

The main conclusion from the fourth New Zealand Energy Conference'a Forum on "Energy and Peopla" was that policies in gsneral, and energy policies in particular, must ba designed to sncouraga the people to generate their own personal solutions, and not try to impoea such solutions on them, only applying constraints when they are unavoidable.

But the most importsnt criterion for judging any policy, is the extent to which it is flexible enough to accommodate changes in social, economic and other factors, such as the availability and price of oil.

In determining how to implement a policy, those actiona which avoid cloaing or otherwise pre-empting other options for the future should be encouraged.

In addition, it ahould be recognised that there is no single answer to any of our problems — in energy or any other area — and that a reasonable measure of diversity will give us the flexibility to be abla to adjust to change much mora easily.

Our present system, which is almost totelly dependent on pstrol as a transport fuel, has been ahown clearly aince 1973 to be inherently dangarously inflexible.

This country should aim to get on to the path of maximum precticable conservation as soon aa possible, because this is the only way of preserving the options whereby people will be abla to make social choices in the long term.

Such a policy would also result in the creation of large numbera of joba, through sncouragement of smell msnufacturing and contracting opsrationa.

Conservetion, after ell, is the sum of a large numbsr of what are, in themselves, trivia.

While acknowladging the need to move towards developing a much greater degree of self-sufficisncy, particularly in liquid fuele, wa must take care to retain flexibility, and not risk simply transferring from an external hook to an indiganous hook, particularly if both are owned and operated by transnational corporationa.

There ars a larga number of options available to us in this area. Some of them look supsrficially more attractiva than othsrs, some are being pushed hard by transnationals.

Synthstic petrol seems to be economically and atrategically undesirable.

It also risks reducing our long-term ability to adapt to changes, sey in engine technology, which ara elready undsr way, psrticularly in Europe.


"The Financial Times ordinary share index is down two point four, again."

Talent shortage hots up search

by Mary Vornham

THIRTY years old? Chalked up soma good, solid expsrience in buainess and administration? Ready for a bit more responsibility snd o lot more money?

You may be just the psrson one of New Zealand's top companies la looking for.

The job? General Manager. The salary? $25,000.

Ten years ago you wouldn't have had s dog's show of getting a plum job like this until you were at least 40 or 45. But today there's such a shortage of top flight executives that the seniority barrier is crumbling away.

Ted Spraggon, managing director of executive search firm John P Young & Associates said: "When we sdvertise a top lsvel job we might get 35 replies but very few of them are anywhere near suitable.

"There's a great shortsge of talsnt. The business community in New Zealand has expanded trsmendously in tha last 10 yssrs and the supply of top peopla simply hasn't kept pece.

"We're looking at much youngsr people than we used to."

With exceptionsl executives a scarce commodity, competition to hire them can be fierce.

Spraggon's firm last month tried a new ossertive approoch, mailing out, unsolicited, o list of 48 executives who weren't activaly job-hunting but who might consider a change if a good enough offer came along.

The list, with a covering letter, went to around 200 companies. ("We only deal with the top ones.")

To protect confidentiality of those on it, no names or company identifications were given snd the list was vetted by four people bsforo it went out.

Tho mailing elicited a positive response from 10 per cent of the recipienta, an exceptionolly high figure for this sort of out-of-the-blue exercise.

One company aaked for particulara of no less than eight of the people on the list.

John P Young & Associates are pleased enough with the results to be planning to make auch mailings a regular avent, sending them out et least once a month.

Do executives very often turn down a better job when s management firm brings it to their attention?

"Very rorely. Usually only if they hsve reservations about the new location, or domestic responsibilities which prevent tham from moving."

While high-powerad executiva headhunters are a relstively new thing in this country, shortage of talent, coupled with the high cost of advertising and the burden of interviewing dozens of job applicants, have ensured them a large share of the market.

Supply eases; prices rise

by Peter Isaac

THE worst of the raw materials shortage seems to be over for the plastics industry.

"The raw materials are there — we even have allocations that have not been uplifted," said Henry York's plastics materials manager, Frank Meinke.

"It looks pretty clear," comments PDL's plastics manager Lou Broekmeyer, "we really haven't had many problems at all."

The bite for the plastics industry has been in the price, however. In the last 12 months such basic raw materials as PVC and polyethylene have almost doubled in price.

Even so, this dramatic increase in price has not had the effect on finished goods costs that was first predicted. This is because the plant, labour, and expertise content of many finished products was greater than the industry had at first realised.

The supply picture is also improving as manufacturers at home and abroad start eating into their own stockpiles, as the need for an emergency hoard disappears.

The vastly boosted prices of raw materials worldwide has meant that new production is coming on stream all the time.

The latest announcement is the expansion at Allied Chemicals Baton Rouge plant. Scheduled for completion in 1981, the new expansion programme will boost Allied's HDPE capacity by more than a quarter.

Allied Chemical's New Zealand manager Wayne Hart said: "The new capacity will considerably improve the local supply position when it comes on stream in 1981."

The supply of bulk styrenes and polyethylenes from Europe has improved dramatically, while the PVC supply picture from the United States looks equally promising. PVC is the largest single category of plastics raw materials used in New Zealand.

The de-control of heavy crude prices is starting to boost the United States own oil production.

There are strong indications that prices are already stabilising, especially for PVC.

This has led some optimists to believe that New Zealand purchasers may soon be able to revert to their happy position in which they customarily bought PVC at substantially below the world price.

This was possible because of New Zealand's position as one of the world's last open markets for plastic raw materials — there is no chemical process here more sophisticated than compounding.

Meanwhile, the supply houses have gained themselves considerable goodwill among New Zealand manufacturers by continuing to supply through the difficult middle part of the year.

NZ PLASTICS

Foam kills sound

INCREASING environmental strictures on factory noise means that local plastics manufacturers should take account of two ranges of sound absorbing plastics foam which have just been developed in Britain for a wide range of applications including machinery housings.

The Audiprene foam is made of medium-density polyether foams designed to achieve good sound deadening performance, while Auditox is a range of laminates with Audiprene foam sandwiched between facings of perforated PVC — either flexible or rigid, metallised polyester film, polythene film, vinyl film, or polyurethane coatings.

Sound absorbency of the laminates varies according to the kind of facing and thickness. Typical volumes for Auditex perforated PVC panels for use in vehicle cabs and as telex hoods range from 1.2 at 700 Hz down to 0.8 at 5 kHz.

Cash squeeze cuts checks

THE Ministry of Health has imposed a do-it-yourself environmental monitoring procedure on the chemicals industry.

The plastics industry, along with other chemical industries, will be responsible for its own industrial and biological monitoring of certain chemicals.

The change of policy reflects the cash squeeze in the ministry.

"This free service to industry can now only be maintained either by considerable increase in staff and facilities or by restricting available facilities for routine investigations," said Health Minister George Gair.

But the Health Department will maintain a watching brief over factories where such chemicals as isocyanates are used.

Marley enters pipe line

FOREST Products has taken a bumpy ride with the Marley Company. Forest Products bought 60 per cent of the company a year ago. Marley was attractive because of its sales outlets which gave the forestry giant an expanded reach into retailing.

Marley also has an important technical aid agreement with Vinidex Tubemakers of Australia, plus technical assistance from Marley's worldwide headquarters in Britain.

But Marley within New Zealand has been badly hit by the building recession which has hurt its vinyl tile sales. Also — and this was not quite so expected — the company has been hit by expanded imports which are threatening the whole flooring market.

Forest Products management is now trying to steer Marley out of flooring products, its base product.

The objective now seems to be to shift Marley increasingly into PVC piping — a surprisingly active growth area, and also to concentrate on vinyl claddings.

Dip moulds make inroads

PVC dip mouldings are making big inroads into traditional rubber techniques in Britain.

The dip mouldings do not crack, craze, or age, through oxidation. In addition the use of a special double dipping technique permits production of two colour mouldings.

The nature of the process — in which a heated tool is dipped into a tank of cold PVC plastisol — means that tooling is relatively cheap.

A major benefit of PVC dip moulding is the low cooling cost and it enables development engineers to use the process to try out prototype designs without excessive expenditure.

Typical mouldings produced for the motor industry are covers for inertia reel seat belts, seat belt anchors and stalks, universal joints, instrument bezels, handbrake mechanisms.

Nylex sells Marbon share

MARBON Chemicals, Australia's major producer of ABS engineering thermoplastics has now been bought outright by Borg-Warner Investments Pty.

Marbon Chemicals was originally a joint venture between Borg-Warner which had 55 per cent and Nylex Corporation with 45 per cent.

The company principally manufactures Cycolac brand ABS for thermoplastic applications.

"Glass" bath in production

A TRANSPARENT perspex bath that began as a marketing gimmick for Plix Products of Hastings seems now to have become a production model.

The transparent bath was on display at the Plix stand at the World Trade Fair.

Now Plix marketing manager Colin Treadwell reports so much interest that the company is planning to put the vacuum-formed bath onto its regular production schedule.

Powder mixer boosts value

A NEW powder mixer and pneumatic conveying system available in New Zealand on a contract basis seems to offer manufacturers of plastic containers an opportunity for boosting the value of their product.

Comments Wes Brown factory manager of Salmond and Spraggon: "Many local manufacturers of plastic containers are currently shipping their products empty to Australia. They could be gaining greater export sales by having them filled here with powdered goods."

The full automated plant can mix and package any inactive powder such as detergent, milk powder, instant coffee, alumina, baby foods, and talc.

Tradesmen go west

THE demand for fitters and turners and toolmakers in the plastics industry is intensifying.

There are already signs that the shortage of these skilled tradesmen could be approaching the same level as in 1967 when a scarcity of craftsmen badly damaged the effectiveness of New Zealand's first concerted export drive on manufactured goods.

The need for craftsman in the industry was pointed up recently by the massive recruitment campaign of Delta Plastics of Palmerston North.

The company held a special open day for potential new staff to give the company a look-over.

Delta in its recruitment campaign is also using a patriotic "Your Country Needs You" approach.

With 90 per cent of its output in exports Delta has urged potential recruits to "become involved".

Interestingly, the scarcity of fitters and turners and craftsmen was foreseen by the Plastics Institute four years ago.

The Institute along with the Engineering Industry Training Board kicked off a campaign to boost the number of apprentices in the industry.

However, the problem has been made more intense now by the number of tradesmen who have joined the plane people, mainly to the land of the big pay pocket — Australia.

Acquisitions on increase

BRITAIN'S Corporate Development Consultants Group has just listed the analysed company acquisitions, liquidations and divestments in plastics in the 1974-78 time bracket.

There were 650 changes in corporate ownership during the period, 250 acquisitions, 300 liquidations and 100 new companies among the major groups in the sector.

Interestingly, the number of liquidations fell steadily from 1975. But there was a sharp increase in acquisitions especially of companies in finished products, conversion, and marketing.

Cresta rides out sales tax

CRESTA Craft, the Christchurch-based caravan and boat maker is surviving the imposition of 20 per cent sales tax on all fronts.

The company is expecting a second $500,000 patrol boat order from South East Asia. In the meantime the company has supplied Picton with a flotilla of fibre glass pedal boats.

The pedal-paddle boats were designed and made by Cresta Craft.

Each one has been subjected to a marine survey as a passenger carrying craft.

Together with a boom in vehicle conversion, Cresta Craft founder and managing director Don Kilner has been able to keep his large staff intact.

Cresta Craft has prominence in the caravan industry world wide as the only company to manufacture an aerodynamically styled caravan on a production basis.

The caravans incorporate two large fibre glass single piece moulds in the front and back sections.

The company recently abandoned making all-fibreglass caravans because of rising raw material costs.

Agmar moulds for Mexico

AGMAR Engineering, the Petone tool maker, is currently crafting moulds on behalf of companies as far afield as Mexico, Kentucky, and California.

These moulds — an entirely new export product — are for crash helmets in which Agmar Engineering has become an acknowledged world leader.

Karl Walker, who runs Agmar Engineering, has become well known for his expertise in moulds for plastic consumer products, including the moulds for the Philips stereo cassette player of four years ago — then the most sophisticated plastics consumer product made in New Zealand at that time.